



**ST. MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES**

**ASSESSMENT ON PROCUREMENT PLANNING AND  
IMPLEMENTATION EFFECTIVENESS IN ETHIOPIA: THE  
CASE OF COMMERCIAL BANK OF ETHIOPIA**

**BY**

**DAWIT TESFAYE BEKELE**

**MAY, 2019**

**ADDIS ABABA, ETHIOPIA**

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**BY**

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## **DECLARATION**

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Dr. Temesgen Belayneh. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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**MAY, 2019**

## **ENDORSEMENT**

This thesis, titled “ASSESSMENT ON PROCUREMENT PLANNING AND IMPLEMENTATION EFFECTIVENESS IN ETHIOPIA: THE CASE OF COMMERCIAL BANK OF ETHIOPIA” 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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**Advisor**

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**Signature**

**MAY, 2019**

**ST. MARY'S UNIVERSITY**  
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	Date	Time		Adviser	Advisee

## **DEDICATION**

This thesis is dedicated to my mother, Tsega Abraha. Without your endless love and encouragement I would never have been able to complete my graduate studies. I love you and I appreciate everything that you have done for me. I thank you mom again.

This thesis is also dedicated to my sister, Samrawit Tesfaye and my brother Yared Tesfaye who was there for me throughout this process and they gave me lots of support.

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Dawit Tesfaye

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## **ACRONYMS AND ABBREVIATIONS**

CBE	Commercial bank of Ethiopia
PPA	Public Procurement and Property Administration Agency
VFM	Value for money
ADB	Asian Development Bank
EOI	Expression of Interest
MOFED	Minister of Finance and Economic Development
TOR	Terms of Reference
FDRE	Federal democratic republic of Ethiopia

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## **ABSTRACT**

*The purpose of the study was to assess the effectiveness of procurement plan and its implementation practice in Ethiopia taking the case of Commercial Bank of Ethiopia (CBE). The main assessment areas were on the internal factors, including: (i) the process and content of procurement plan and its implementation, (ii) specification completeness, and (iii) the planning stage price estimation relation with market reality. The study focuses on, assessing the plan versus the performance of the past two years, (2016/2017 and 2017/2018). The study deploys descriptive statistical method and the selection of the respondents was done using stratified random sampling techniques. Accordingly, questionnaires were distributed to potential respondents selected from the target population; and the responses were 95%. Based on the analysis, CBE has a trend in preparing procurement plan. However, having a plan by itself does not ensure success; it largely, depends on the extent of implementation. In the case organization the researcher uses indicators that is, the procurement plan, specification completeness and market price assessments were found poor and incomplete. Moreover, there was a long delay in the evaluation of technical documents. Despite, the work programs of the departments had affected much by the weak performance of procurement functions. Eventually, the study recommends that, the need for applying a collective effort on developing continuous training programs and vigorously and closely tracking the plan against the performance to make early corrective action.*

***Key words: Effectiveness, Procurement Planning, Specification Completeness and Market Price Assessment***

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

As per Beshakag (2008), Procurement plan is an essential component of public finance that has impacted many other components and thus affects overall efficiency and effectiveness of organizational performance. A procurement plan is very important to execute the work program in due time. Well-synchronized plan can prevent the delay in the process, it definitely reduces corruption and avoids rush procurement to meet the deadlines; and correspondingly, the plan enables the organization to gain economies of scale due to bulk procurement. It is the base to create transparency in the supplier, service providers and stakeholders' relations. Furthermore, it allows undertaking the best method of procurement. (Namusonge, et al. 2013; Dobler et al., 1996; PPA procurement manual, 2010; Mlinga R., 2006).

In the past decades, even if it required maximum possible consideration, it was not getting due attention it deserves. In many developing countries, public procurement has not been viewed as having a strategic impact on the management of public resources. It was largely treated, as a process-oriented, "back-office" support function and often implemented by non-professional staff of the buying agencies. (Hunja, n.d).

When we come to an Ethiopian case like the other countries more than 64 percent the total public expenditure, is used for procurement of goods and services (MOFED, 2011). And like the other developing countries, the procurement was a neglected area for long. In recent years commercial bank of Ethiopia tries to each yearestablishes procurement planning and implements as much as they can but the inefficient and not well organized implementation of the procurement plan hurts the performance of the bank due to poor procurement process.

Undermining the role of procurement and its negative effect when it is practiced without proper planning and well organized manner could cost a given organization a lot by way of excessive expenditure. This has also a sum up effect to a country's economy at the national level. The traditional way of procurement need to be reformed and updated in the way that saves energy,



time, finance and human resource. Both the internal information flow between the procurement units and other departments (users) and the external communication between organizations and business institutions that provide goods and services need to be computer based (E-procurement) in order to save time and finance. In order to make any reform in the whole procurement system it is very important to examine the whole flow from grass root level. This would enable us to see the weak link in the whole procurement flow and help us to make adjustment and reform for the betterment of any organization.

Therefore, it is justifiable and very important to undertake a research in this process and come up with concrete recommendation that will definitely contribute a lot in the governments' development and service provision operation. This research paper focused on assessing the effectiveness of the procurement process in Ethiopia by just considering the commercial bank of Ethiopia procurement plan and its implementation effectiveness as a case study.

## **1.2 Statement of the problem**

When banks fail to prepare well thought plan and implement appropriately, they will be forced to undertake several piecemeal purchases; this trend is the major barrier so far to ensure value for money in those banks'. Consequently, extra delay is another reason to extend the work program for consecutive years, and hence the banks will fail to achieve its objective in due time.

To prepare a workable good procurement plan, at the beginning of the fiscal year, each user department should forward their goods and service request to the procurement unit. The requisition should carry: type of the procurement, the quantity of goods, service, works, source of funding, specifications, and estimated cost/price and date when the goods/services/ works are required. Receiving the requisition, the procurement unit consolidates and details out the procurement plan to determine the method of procurement for further process.

The consolidated procurement plan should reflect the internal and external lead-time. Planning, regularly monitoring, updating and thoroughly implementing it benefit the banks to track the performance. Practically in Ethiopia, there is a drawback in preparing and properly deploying a procurement plan in banks; most banks have been undertaking too much unjustified and unplanned purchase in each budget year. Furthermore, it is pragmatic that there is also a trend of

under-utilization of the budget; and the major cause is the ineffective management of the procurement function.

This study is more focused on this research wise and tries to find out the weak link of the procurement planning and its implementation practice, which can then be taken up by management to make the required decisions for improving institutional performance. Planning is the most and critical work for every activity in any organization because without planning the whole things are like living in a dark room since planning is a crucial basic activity. That is why i decide to make a research work on procurement planning and implementation instead of monitoring and controlling the procurement activities of the bank.

### **1.3 Basic Research questions**

Hence, the study mainly targeted to answer the effectiveness of procurement plan and implementation practice in commercial bank of Ethiopia: Specifically aimed to answer the following key research questions.

- ❖ How the current procurement planning and implementation practice look like?
- ❖ What is the completeness level of specifications in the procurement plan?
- ❖ How does market assessment look like (undertaken) in the bank?

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

#### **1.4.1 General objectives**

The general objective of this study is to assess the practice of procurement planning and implementation practice in commercial bank of Ethiopia.

#### **1.4.2 Specific objective**

In addition to the above general objective, the specific objectives of the study are;

- To describe the current procurement-planning and implementation practice of the bank
- To examine the completeness of the specification
- To assess the trend of market price assessment

## **1.5 Significance of the study**

The study findings expected to shed-light on weak performance of public procurement planning and implementation practice, this can have an immense advantage for different stakeholders

- I. It can help to those whom work at the managerial position at different banks and business organizations and particularly to CBEs management in order to see the prevailing problem and make corrective action in their procurement process which can enhance institutional performance of the bank by achieving value for money.
- II. It can provide scientific information for policy makers to revise the policy and review the practice.
- III. It can also serve as a good springboard for researchers whom intent to make any further detail investigation or study.

## **1.6 Scope and limitations of the study**

Empirically procurement is a vast area; conducting research in the whole system is unmanageable in terms of time and cost. Methodologically the assessment of this study focuses on the planning and implementation stage, this enables to see how the practice of procurement looks like in commercial bank of Ethiopia, geographically the research conducted in one of the banks known head quarter office which is Zaguwe building located around Lideta church area.

Procurement planning & implementation practice is also affected by external factors; however time & resource limitation would not make this feasible so to keep the depth on the quality of the study interesting, this study will be limited in the internal factor of the study.

Despite these limitations, the validity of the findings emanating from this study is very important, to improve the procurement planning & implementation practice of the bank.

## **1.7 Organization of the study**

The research paper have four chapters, under the first chapter the study research presented the background of the study, statement of problem, limitation of the study, significance and purpose of the study as well as study objectives and research questions depends on the procurement planning & implementation practice of the Commercial bank of Ethiopia. Followed by chapter two - review of related literature so this chapter forms a basis of the study by reviewing the existing knowledge and literature about the procurement planning & implementation practice of the banks as mentioned by various several scholars, authors and academicians. The third chapter presents the method and procedures that the researcher used in sample selection, data collection, analysis and presentation. It includes; sampling techniques, data collection methods, source of data, sample size and data presentation and analysis methods. The last chapter which is chapter four presented the summary of the major findings, conclusion and recommendation.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURES**

#### **2.1 Introduction**

This chapter explores literature, written by different authors, on the benefits of procurement plan and its implementation.

#### **2.2 Theoretical literature**

##### **2.2.1 Public Procurement and Planning**

To accomplish the organization's objectives, the most important tool is effective procurement plan. Procurement plan that aligns to the objective of the organization programs and budgetary process can expedite the accomplishment of the goals. It is one of the pre-requisites for the effectiveness and efficiency of the procurement function, thus leading to the ultimate success of the organization. (Namusonge et al., 2013)

The Public Procurement and Property Administration Agency (PPA) guideline proposes that effective planning allows requirements to be aggregated into larger purchases at lower unit costs, rather than frequent sourcing of quotations for identical items and issuing many individual local purchase orders. It allows the private sector to respond more effectively to the requirements and specifications of the Government (PPA, 2011 p.139).

As per Basheka (2008), procurement plan adds value and, above all, it resulted into compliance with the set processes, he also states that if managed efficiently and effectively, results into compliance with set processes, which eventually leads to saving taxpayers' money. Moreover, as per Namusonge et al. (2013), procurement planning will make sure that the employees can effectively and efficiently mitigate the challenges affecting procurement process, and it significantly reduces the delay in the process.

Procurement planning is the future needs to procure goods and services for the organization to meet its strategic goals, thus, performing the procurement plan should be proactive; failure to request the required goods or services early will bring to postpone the work program to

subsequent years, it is also a means for under-utilization of the budget. As procurement is a long and time-consuming process, contract planning should “begin as soon as the agency need is identified, preferably well in advance of the fiscal year in which contract award is necessary” (Thai, 2009, p. 12).

One of the major challenges in public procurement is ineffective planning. According to World Bank Country Procurement Assessment Report, the reasons for the lack of procurement planning are the absence of understanding of the value of the procurement and proper enforcement of rules relating to planning. (CPAR Report, 2004). CPAR 2008 also highlights a general lack of procurement knowledge, technical capacity and expertise observed at the procuring entity level, is conveyed by a lack procurement planning. However, ‘without thorough procurement planning, the subsequent procurement processes will not yield substantial benefits’ (Behsaka, 2008,p197).

In the study undertaken by Edgar Agaba and Nigel Shipman (2009) on Public Procurement Reform in Developing Countries; the Uganda experience delineates ‘inadequate procurement planning, leading to an excessive use of direct procurements and failure to align procurement with the budgetary process, poor record keeping, leading to much procurement documents being untraceable’. The preparation of the procurement plan has eliminated the need for emergency purchases, which are sometimes expensive or buying for the sake of buying, or buying just because there is money.

Procurement planning admits various stages of activities which often do but may not always occur in the sequence here captured as; First, a needs assessment or identification, determining the exact need of the particular stakeholders, realizing that as different as groups of stakeholders may be, so also are their needs. Secondly, it includes determining and precisely defining the project objectives-clear, smart, time bound and achievable objectives where possible. The next stage will be to determine the exact goods, works and services required to deliver the project objectives, and to break them down into activities, inputs, sub units and steps. The plan hence broken down into activities, sub-units and steps, you can look out for similar goods, works and services with a view to aggregating them into uniform packages to achieve economies of scale according to the organization demand (Harold, 2000).

### **2.2.2 Public Procurement Plan and End Users/Departments**

In the public procurement plan, the user department must raise the procurement needs; this need has to acquire specification/Terms of Reference of Requirements; it should be clear, precise, complete and well understood. The specification may further be refined and clarified, by the procuring department, as per the pertinent rules and regulation. Technical specification is prepared or will be prepared by end users. (FDRE, Public Procurement Guideline, 2011, 3.1.4.f) To achieve success in procuring function the end users should be involved in high caliber, in addition, it entails the participation of higher officials. As per the study of Thai (2008) the planning effort will succeed only with the complete commitment and involvement of top management, along with appropriate personnel that have a stake. James, U.V. (2004) revealed the participation of the prominent actors, both procurements unit and a user department, in the whole process of preparations and implementations of the annual procurement plan is very important.

The other vital issue in planning is the level of understanding and capability of the end users; the end users should well understand the use of the procurement plan, and the appropriately capable person must fill the requisition. Procurement planning must be prepared by the “right” personnel and accorded the importance it deserves (Namusonge et al., 2013). However, the tendency shows that they are not aware in developing precise requisition for the procuring department; they also frequently fail in submitting timely. The divisions take long as there lack of teamwork and close co-ordination on budgeting for the annual procurement plan. This generates heat and disagreement among user departments and leads to failure of presenting their needs in time (OGINDA, 2013, p. 31).

### **2.2.3 Procurement Plan and Market Price Assessment**

In procurement planning, since our plan is for the future, our cost estimation should be much more realistic by assessing the required market condition, the previous trend and any source of price. In surveying the goods or service, the cost and the availability must be considered. Public bodies have to organize their procurement needs in package’s base. Needs collected from end users. The market price survey should be undertaken, and they should consider ensuring that if

there are adequate suppliers or not, and classifying the procurement into lots based on the category of supplies.

Gathering market intelligence enables you determine exactly what is available in the market, what alternatives exist, at what costs and conditions of acquisition, storage, use, maintenance and also disposal. An item that appears cheap and cost effective to purchase, may not be actually cheap if its costs of maintenance , or conditions of storage and use impose higher costs than its purchase costs, or are at such rates that take away the advantage of a lower purchase cost, when compared with alternatives. So, it may also be, if the cheap item required for only a short period, has no second hand value as against another, slightly more expensive item, which has substantial second hand value and effective demand for it in a used state. A market survey will reveal these to a procuring entity (GA Churchill, 1984).

Further, such a survey or gathering of market and related intelligence will help a procuring entity determine relevant performance standards for each sub unit. It can ascertain performance standards of every available alternative in the market. This will enable it to define and set its specifications in a manner that will lead to the procurement of goods or works or service that best meets its pre-identified performance standards, as to leave this to chance or guess work is to plan to fail (GA Churchill, 1984)

The market survey and cost analysis helps to gauge the market to determine costs of available options, and the conditions or terms attached to each cost package. If and when this has been done, an entity can then make a rational judgment call on whether or not, it has the needed expertise within the agency to carry out this procurement or whether it will require external skills. The issues may include staffing, training and competence for procurement activity and also for implementation of the project or program after procurement has ended. Then, it can also confirm and ensure that it has the budget to implement the identified activities, within the cost levels in the market. This explains why integrating project cost into the budget is so integral to procurement planning (Lysons, 2003).

#### **2.2.4 The Procurement cycle**

Tan (2013) categorizes the public procurement process into six phases, namely; (a) procurement planning (b) solicitation planning (c) solicitation, (d) source selection (e) contract administration



and (f) contract closeout. These processes when followed serves as a ground for an effective and economical manner by which acquisitions can be made (Tan, 2013). Figure 1 below is the traditional procurement process.



*Figure 2.1: Procurement Process Model*

*Source: Kusiet al. (2014)*

### **2.2.5 Writing procurement specification**

A specification gives a detailed description of the goods, construction works and service (Musanzikwa, 2013). It gives a bases to which the requirements to be supplied or executed by the service provider must conform to. The basic objective of a good specification is to vividly describe the service or product to be acquired to the stakeholders (Musanzikwa, 2013). According to Kusiet al. (2014) specification serves as a tool used to describe or communicate the procurement need of the entity to service providers that has interest in the commodity or service. The specification forms an integral component of a legally binding contract and therefore need to be drafted carefully (Gandy and Case-Upton, 2013).

The knowledge that is gathered from the market survey must be rewritten to conform to the general characteristic of the object (Dahl *et al.*, 2007). Dahl *et al.* (2007) discuss three types of demands that procurement entities can use when establishing specifications in a public procurement. These are (i) mandatory demands, (ii) the use of evaluation criteria and (iii) special conditions.

Mensah (2013) presents four methods for designing specifications; these include (a) Descriptive (b) Performance (c) Reference Standard and (d) Proprietary. Discussing the factors to consider in specifying a product, Musanzikwa (2013) enumerated the following; physical features, technical specification and the intended use. Technical specifications are those which demonstrate the technical details, conditions and criteria of the goods, services as prepared by the contracting entities (Kural and Alsac, 2006). The specified technical criteria aim for efficiency, functionality and ensure equal opportunity for all tenderers and do not consist of elements impeding competition (Kural and Alsac, 2006).

An unclear and ambiguous specification can be subject to different interpretations (Mensah, 2013). This will weaken the basic function of a specification which has to clearly spell out requirements of the item to be procured to all parties (Musanzikwa, 2013). Specifications sets limits and also restricts items that are not considered within the boundaries drawn. According to Onyango (2014) good specification has the following characteristics; (i) it identifies the minimum requirements (ii) allows for a fair and open procurement process, (iii) provides for testing/inspection to insure the goods/services received and ensures that it meets the standard set forth in the specification and (iv) provides equitable award at the lowest possible cost.

It is therefore important that procurement officers be well-informed about specifications and how to write adequate specification for each procurement. This will enable them to effectively perform their role of mediators between clients and service providers (Onyango, 2014). Poor preparation and communication of the specification to bidders would have a negative impact on the manner in which potential bidders would prepare their bids and subsequently implement the project contract arising from the specifications provided (Barasa, 2014). A specification generally must be Clear, Correct, Complete and Concise (Mensah, 2013).

### **2.2.6 The Procurement Process – Implementing the Plan**

The primary conceptual justification for procurement planning is that advanced planning scheduling and group buying will result in cost savings, more efficient operation and therefore improved use of funds. It enables the procuring entity to more precisely define the need, identify the means by which it can be met, identify and categorize activities required by the chosen means, understand the market regarding the products, works or services needed, estimate its costs, determine and allocate resources, and time it will take to procure, as well as the best strategy for its procurement. Procurement process enables the procuring entity identifies possible risks and plan mitigation measures prior to launching procurement activity (Neef 2001).

Thus in some jurisdictions, procurement planning entails a range of activities that includes Needs assessment and evaluation:

- I. identifying the goods, works or services required (characteristics and technical qualities)
- II. Carrying out appropriate market and statistical surveys.
- III. Collating and analyzing of the cost implications of the proposed procurement
- IV. Aggregating its needs to obtain economy of scale and reduce procurement cost
- V. integrating its procurement expenditure into its yearly budget

The information and knowledge generated from procurement planning, supports procurement process decision making. Such decision making will include, but not limited to arriving at specifications that best identify the precise goods, works or services that meet the identified need, the kind of contractor that can best deliver these goods, works or services within the budget, tender process definition, prescribing contract terms or responsibilities of parties (Lysons, 2003).

In such essence, you do need to determining award process and criteria to prescribe a method for effecting the procurement, the choice of contract packages. Such information and knowledge is also required in preparing procurement documentation including; Prequalification, Specifications, Bidding Documents, draft contracts (Neef 2001).

### **2.2.7 Time lines/lead times**

Time is of essence in every business endeavour. procurement entities are cautious of practices that results in undue delays (Appiah, 2012). Lead-times exceeded causes delays of the whole procurement process and in the end leads to cost overruns (Basweti, 2013). Basheka (2009) contend that for procurement planning to be successful, it must take into account the concept of total procurement time. This considers the period for the entire procurement process that is, how long it will take to completely go through the whole procurement process or cycle. Mamiro (2010) explains that proper scheduling of processes is an activity done during procurement planning, this ends up in significantly cutting down transaction costs and enhancing productivity.

Basheka (2009) listed three factors that determines the total procurement time; these are Entity Administrative Time (EAT), Statutory Time (ST) and Provider's Performance (or delivery) Time/ Delivery and Construction Installation period. Entity Administrative Time (EAT) is the period it takes the procuring entity internally to process and approve procurement (Basheka, 2009). Provider's Performance Time (PPT) is the period taken by the service providers to accept, sign and execute the contract. It can also be referred to as Manufacture, Delivery and Construction Installation period (PPA Manual, 2006). Statutory time on the other hand is the time schedules that is required by law to be adhered to during the procurement process. Figure 2 below illustrates determinants of Total Procurement Time. Basheka (2009), summaries that;

Total Procurement Time (TPT) = Statutory Time (ST) + Entity Administrative Time + Provider's Performance (or delivery) Time (PPT)

### **2.2.8 Value for Money**

The best opportunity for achieving VFM is at the planning stage of the procurement cycle through the procurement plan. Achieving good procurement outcomes depends on the way the procurement activities are carried out. This will be supported by conducting thorough strategic procurement planning and developing a fit-for-purpose procurement strategy and procurement plan. (ADB, June 2018, p.3-5).The exercise of identifying VFM begins at the start of the procurement cycle and continues throughout. VFM entails balancing the principles of quality, efficiency, and economy in making procurement decisions to achieve optimal solutions that support development objectives. VFM addresses a concern with obtaining quality results.

Contract decisions based on efficiency or economy alone can result in a contract being awarded to the lowest-priced bid regardless of other relevant factors. The application of VFM overcomes this by allowing procurement to

- (i) Reflect TCO, thus incorporating issues of reliability, performance, maintenance, and other factors that determine overall quality;
- (ii) Provide a platform for both quantitative and qualitative factors to be incorporated into the evaluation; and
- (iii) Take account of externalities, such as environmental and social impacts.

### **2.2.9 Importance Procurement Planning**

Jorge Lynch, (2010) explains the importance Procurement Planning as follows:

- I. It helps to decide what to buy, when and from what sources.
- II. It allows planners to determine if expectations are realistic; particularly the expectations of the requesting entities, which usually expect their requirements met on short notice and over a shorter period than the application of the corresponding procurement method allows.
- III. It is an opportunity for all stakeholders involved in the processes to meet in order to discuss particular procurement requirements. These stakeholders could be the requesting entity, end users, procurement department, technical experts, and even vendors to give relevant inputs on specific requirements.
- IV. It permits the creation of a procurement strategy for procuring each requirement that will be included in the procurement plan. Such strategy includes a market survey and determining the applicable procurement method given the requirement and the circumstances.
- V. Planners can estimate the time required to complete the procurement process and award contract for each requirement. This is valuable information as it serves to confirm if the requirement can be fulfilled within the period expected, or required, by the requesting entity.
- VI. The need for technical expertise to develop technical specifications and/or scope of work for certain requirements can be assessed, especially where inhouse technical capacity is not available or is non-existent.

VII. Planners can assess feasibility of combining or dividing procurement requirements into different contract packages.

The Procurement Plan is the product of the procurement planning process. It can be developed for a particular requirement, a specific project, or for a number of requirements for one or many entities in the public or private sectors.

Thorough planning has become of utmost concern because of high budgetary constraints (Basheka, 2008). The selection of a wrong procurement approach can cause an eventual failure of the procurement process and invariably project failure (More and Joshi, 2014). Compliance and cost saving is the outcome of an efficient and effective planning process (Basheka, 2009). Tan (2013) delineated the following as benefits of procurement planning; (a) ensure procurements are within the budget (b) meet user's requirements and (c) that the supplier performs accordingly. Early and accurate planning is very important in order to avoid emergency or unplanned procurement, which is opposed to an open, efficient, effective and a transparent procurement process (IAPWG, 2006).

## **2.3 Empirical literature review**

### **2.3.1 Procurement rules and provisions**

Empirically, application of procurement rules appears to reduce prices by around 30 percent because effective public sector procurement contract system hinges on a desired degree of transparency, integrity, competence, competition, and value for money (Adegbola, Akpan, Eniayejuni, Alagbe and Kappo, 2006). Public sector employees are generally not familiar with the provisions and principles of the ethical code and its supporting documents. What remains a matter of concern is the lack of independent control mechanisms to regulate and cover this area.

There also remains a special problem with regard to integrity in public procurement as there are no mechanisms in place to prevent related persons from participating in them, so tenders are sometimes awarded to people who are related to the representatives of the contracting authority through family or other ties (Divjak, Nebojsa, Aleksandra, Svetlana, Slavica, Igor, Vera., Alma, 2013).

## **ETHIOPIAN CASES**

### **2.3.2 Corruption**

According to a study by Tesfaye (2007), and the Amhara Ethics and Anti- Corruption Commission report (2012/13), it is found that public procurement is the most corruption prone areas in the public service. Furthermore, According to Corruption Perception Index scores of 2013 Ethiopia rank 111th of the perceived levels of public sector corruption in 177 countries/territories around the world and scores 33/100. Of Sub-Saharan Africa 90% score below 50/100. Top: Botswana and Bottom: Somali 69 % the percentage of countries worldwide that score less than 50 indicating a serious corruption problem.

Therefore, procurement has been one of corruption prone area, which faces to corruption since above 70% of the budget go to public procurement (Transparency International, 2013).

### **2.3.3 The role of ethics**

In addition, a study by Abeje (2015), and Abebe (n.d), indicated that, public procurement ethics in public procurement had a positive and significant association with effective public procurement implementation. This implies procurement people who avoid the intent and appearance of unethical or compromising practice in relationships, actions and communications will contribute for the effectiveness of public procurement implementation. Whereas many previous research for example (Getnet,2014; Mekonnen and Shimeles, 2012; Tesfahun, 2011), has focused on identifying ethical practices based on only the functional objectives of public procurement; which means the primary objectives of public procurement is the purchase on competitive terms of a product or service

## **FOREIGN CASES**

### **2.3.4 Challenges of the implementation of Procurement Plan**

Due to reasons (including greater scrutiny of taxpayers and competing vendors), Public Procurement has been perceived as an area of waste and corruption. The District of Columbia, USA government wasted hundreds of thousands of dollars in revenue by selling used emergency vehicles for “bargain basement prices” in auctions run by untrained staffers (Nakamura, 2004). In developed as well as developing countries, disregarding their economic, social, and political environment, a sound procurement system has accomplish two sets of requirements: management requirements and policy requirements.

## **TANZANIAN CASES**

### **2.3.5 Regulation**

A number of weaknesses observed in procurement implementation in Tanzania. Including: lack of procurement planning in government financed procurements; weaknesses in the advertisement of tenders; noncompliance of contract award procedures and criteria; and weak complaints and administrative review process. One of the most critical issues in the current practice is the lack of procurement planning in government financed projects. Procurement planning is essential for public procurement to achieve one of its major goals of providing value for money.

According to Mapunda (2005) in her study, ‘factors affecting preparation and controlling of procurement plan in public sector’ found out that Council had procurement plan but there were few factors which were encountered in preparation and execution. There were lack of cooperation between procurement department and user department during preparation of procurement plan. Although the procurement plan was in place, still the organization faced a problem of emergency cases caused by lack of plan from user departments.

## **DOCUMENTS REVIEW ON PROCUREMENT PLAN AND ITS PERFORMANCE**

### **2.3.7 Implementation of procurement plan**

According to Lema (2009) ‘towards implementing procurement planning in Parastatal organizations’, argued that the preparations of procurement plan is very important to many organizations and it need close cooperation between PMU, User departments and management in general as it acts as a road map to procurement of the organization which later assures the availability of goods and services for continuous operations hence achieve the target goals.

In order to identify and evaluate critical areas within the supply system, it is necessary for the procurement planning team to have an understanding of the core components of the system. The team should therefore initiate the program of work by assessing the efficiency and adequacy of each component so that the system as a whole can ensure continuous availability of product. An assessment of the system can be implemented by collectively answering a series of key questions which have been developed in this Guide to identify principle determinants of the procurement Process (Paskal, 2010).

This process facilitates the collection of information required to develop the procurement plan, and stimulates discussion within the procurement planning team on challenges and opportunities



that will affect the organization and efficiency of the procurement and supply process. The rapid assessment may lead to the identification of potential bottlenecks in the supply system, hence facilitating corrective action at the policy, structural or functional level. The Guide may be used to support the development of project proposals aimed at strengthening capacity in procurement and supply management (Nakamura, 2004).

Manyara (2006) in his study 'Assessment of Annual Procurement Planning' concluded that, procurement plan in public procurement is still having problems in implementation due to the facts that many procurements in public sector are conducted without following the procurement plan as the result there are improper procurement which ends in poor financial management.

### **2.3.8 Public Procurement Performance and challenges**

Public procurement performance is measured whether it assures value for money or not. Due to non-adherence to proper process and procedures, it is vulnerable to corruption and male practice. Public procurement is a major tool to bring good governance and transparency. In developing countries government's capability is measured by its well managed and performing the public funds to alleviate poverty, enhancing government credibility (Word Bank, 2012)

Public procurement faces numerous challenges caused by different forces as per (Thai,2001) it faces internal and external challenges as per Thai 2001, internal challenges of procurement is consist of five elements; I) policy- making and management; ii) authorizations and appropriations; iii) procurement regulations; iv) procurement function in operations (processes, methods, organizational structure, and procurement workforce; v) feedback. External forces and challenges are; I) Market Environment; ii) Legal Environment; iii) Political Environment; iv) Social, Economic, and Other Environment Forces; and v) Interactions of Environment Forces.

Frequently, the challenge of public procurement changes in relation to economic dynamism, technology and environmental factor. To manage the challenges organization should always improve the system to mitigate accordingly. Public procurement practitioners will never get bored to face myriad challenges. They should apply increase efforts in research, knowledge advancement, and experience. (Hunjan.d)

## **2.4 Document review**

Procurement methods of CBE that is used for their procurement function and the procurement threshold of each procurement method presented as follows:-

### **2.4.1 Open tendering**

It is a type of procurement that all eligible potential bidders determine their interest and have an equal opportunity to submit the tender. so CBE undertakes the following two basic open tendering methods

#### **2.4.1.1 National Competitive Bidding Method (NCB)**

National open bidding method refers to the procurement procedure where Invitation to Bid is restricted to the Federal Democratic Republic of Ethiopia.

#### **2.4.1.2 International Competitive Bidding Method (ICB)**

When, due to lack of capacity within Ethiopia, or only limited competition for the provision of specific goods and related services and works and physical services; the Bank shall undertake special efforts to improve the level of competition by seeking bids from foreign bidders to accomplish their procurement requirements.

### **2.4.2 Restricted Tender**

It requires when the goods/service/works are specialized nature, only available from a limited number of suppliers and when advertisement in open bid is fails to attract bidders.

### **2.4.3 Direct Purchasing**

It is a method of procurement when the public body procures with enough justification from the single source.

### **2.4.4 Two Stage Tender**

The Bank may use Two-Stage Bidding Method for the procurement of large or complex contracts which is RFI and RFP.

#### **2.4.4.1 Request for information(RFI)-First stage**

If the Bank does not have full knowledge about the goods, services and works, to be purchase, it shall use two stages tendering to have sufficient information from the supplier and to develop bids that can satisfy the Bank's requirement.

#### **2.4.4.2 Second Stage Tendering**

In the second stage tendering, the Manager Purchasing shall invite selected suppliers from first stage tendering for their final proposal. This proposal will include any technical revisions resulting from the earlier consultation, along with the bidder's prices proposal. This bidding stage will follow the procedures for restricted bidding.

#### **2.4.5 Request for Proposal (RFP)**

The Bank may engage in procurement by means of request for proposal when it seeks to obtain consultancy services

#### **2.4.6 Request for Quotation (RFQ)/ pro forma**

It is often shopping method of procurement. Public bodies can undertake this method for the purchase of readily available, standard off the shelf goods or for procurement of works or services for which there is an established market.

### **2.5 Procurement Threshold**

The procurement threshold of commercial bank of Ethiopia for each method as follows:

- A. National Open Bidding**The use of National Open Tendering is also subject to the threshold level set out in article 14. 1.2. of the Bank's procurement policy:For works up to Birr 500, 000, 000, 00;For goods up to Birr 100, 000,000.00; For consultancy services up to Birr 5,000,000.00; and For other services up to Birr 10,000,000.00.If and only if the goods, services and works to be procured are only available within the country, the Bank can use more than the above mentioned threshold level limit after getting approval from the president.
  
- B. International Competitive Bidding Method (ICB)**The use of ICB is also subject to the threshold level set out in article 16.2.of the Bank's procurement Policy: For works above

Birr 500, 000, 000, 00; For goods above Birr 100, 000, 000,00 ;For consultancy services above Birr 5,000,000.00; and For other services above Birr 10,000,000.00.

**C. Restricted Tender** Restricted tendering shall be used if one or more of the following conditions are fulfilled; the number of reliable suppliers/ partners who provides the goods, services and works are known to be few and open tender cannot bring any commutative advantage; and when there is approved list of suppliers for the standardized goods, service or works. Where a repeated advertisement of the invitation to bid fails to attract bidders in respect of a procurement subject. (Repeated shall mean at least twice); or Where the cost of the goods, works and services procured is as it is stated in the Bank's Procurement Policy: For works up to Birr 4, 000, 000, 00; For goods up to Birr 1, 000, 000,00 ;For consultancy services up to Birr 600,000.00; and for other services up to Birr 800,000.00.

**D. Direct Purchasing** In accordance with the Bank's procurement policy article 24.1.5, the Bank may carry out directly from any supplier, procurement of goods or services not included in their procurement plan, or goods or services necessary to solve problems encountered during travel the value of which doesn't exceed Birr 5,000 (Five thousand Birr) however, the total value of such small procurements within a fiscal year shall not exceed birr 200,000.00 (Two Hundred thousand Birr). The conditions for use of direct procurement may be summarized as: i) small value contract, ii) availability of only one single source, iii) extension of existing contract; iv) for compatibility reasons; v) and emergency situations.

**E. Request for Quotation (RFQ)/ pro forma RFQ/ pro forma** shall be used if for POR the actual costs not exceed birr 500,000 for goods; birr 500,000 for construction; birr 120,000 for consultancy services and birr 150,000 for service and the needs are readily available of the shelf goods and established market for service or works.

## 2.6 Conceptual framework

A conceptual framework is defined as a presentation in graphical form of the relationship between the identified variables in a study (Barasa, 2014). It presents a graphic picture or visual depiction of the key variables of the study (Apiyo and Mburu, 2014). According to Saunders et al. (2009) a dependent variable is changed by reason of changes in other variables and an independent variable is that which causes a change in a dependent variable.

The researcher has tried to adopt the conceptual framework in Figure 3, after going through many literatures. The framework comprehensively puts the basic factors to be assessed and their interrelation; namely: **Procurement planning and implementation practice:** which deals with timely completion of procurement needs, staff competency, extended process, urgency work programs, prioritization, evaluation plan versus performance practice, updating/revising the procurement plan, and reporting the performance whether it is according to the plan or not. **Completeness of specification:** this includes preparation of specifications by user departments, clarity and completeness of specifications (Objective, scope, deliverables...) and use of standard specifications. **Realistic cost/price estimation:** the practice of assessing market Price/cost/budget data. Figure 3 below illustrates the conceptual framework used for this study.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Research Approach**

The research is the case study, which basically designed to examine the procurement planning & implementation practice of commercial bank of Ethiopia. Therefore, the data that used to analyze this study will be obtained through different sources and collected by using different method of data collection to make the research complete.

#### **3.2 Research Design**

As the study intends to describe the existing practices, descriptive statistical methods were used for the study. Descriptive study is helpful when a researcher wants to look into a phenomenon or a process in its natural contexts in order to get its overall picture instead of taking one or some of its aspects and manipulating it in a simulated or an artificial setting (Seiliger and Shohamy 1989; McDonough 1997). Thus, descriptive study was chosen to investigate the extent of the effectiveness of procurement plan and implementation practice in commercial bank of Ethiopia. Accordingly, the current planning and its implementation along with the challenge that hinder the effectiveness have been assessed.

The study will use both primary as well as document review. The researcher believe that primary data has greater and paramount role for the study since the information related to the study problems will be obtained through questionnaires from the procurement department and user departments within the organization who have knowledge about the problems that the researcher raise. The researcher also use of document review sources such as commercial bank of Ethiopia procurement planning document, report progress, procurement procedure, procurement policy and other related material to make the research complete.

#### **3.3 Target Population of the study**

Population in research, it does not necessarily mean a number of people, it is a collective term used to describe the total quantity of things (or cases) of the type which are the subject of the study. Within this population, there will probably be only certain groups that will be of interest to the study. This selected category is sampling frame (Nicholas, 2011). The study population used

for this research is the procurement unit department and the user departments in commercial bank of Ethiopia.

### **3.4 Sample and sampling technique**

#### **3.4.1 Sampling technique**

The study has used disproportionate stratified sampling technique, because the method is efficient to indicate the characteristics of the population. The study used convenience random sampling techniques, to select representative respondents from each group/strata. In other words, the selection of the sample reflects the purpose or the objective of the study.

The researcher targets a particular group of people whose background expertise relates to the objective of the study. The researcher gets fact, full, reliable information from the banks procurement department, user department, and other experienced employees of the Bank.

#### **3.4.2 Sample size**

For this research study 40 % of the sample taken from procurement unit which is located around Vatican embassy on facility management building of CBE, and 333 sample staff of CBE taken from five various departments namely E-Payment operation and Finance departments from Zaguwe building, Strategy& Resource Management from Debrework tower, Marketing from Arat Kilo and finally Program Management Quality Assurance department from Kassa Tower around Genet hotel for user departments.

### **3.5 Sample size determination**

Since it would be difficult to consider all target population as a sample for this study, the researcher finds it is necessary to determine the appropriate and representative sample size using scientific techniques. On the bases of the sample size for this study is determined as follows using the formula stated for finite population by Kothari (2009):

$$n = \frac{z^2 \cdot p \cdot q \cdot N}{e^2(N-1) + Z^2 \cdot p \cdot q}$$

Where

N = target population

P = probability of success

Q = probability of failure

E = sampling error

Z = the value of the standard variate at a given confidence level

$$n = \frac{1.96^2 * 0.5 * 0.5 * 333}{0.05^2(333-1) + 1.96^2 * 0.5 * 0.5} = 178.63 \approx 179$$

Table 3.1 Sample Proportionate

Serial No.	Departments	Total population	Target population	20% Sample Proportionate from user departments	40% Sample from procurement department	Total sample taken
1	E-Payment Operation	74	38	8	-	8
2	Director-Strategy & Resource Management	114	60	12	-	12
3	Marketing	40	21	4	-	4
4	Program Management Quality Assurance	11	11	2	-	2
5	Finance	94	49	10	-	10
6	Procurement(From total population the study targeted 100% and the sample is 40%)	136	-	-	55	55
Total		333	179	36	55	91

*Source: CBE Oracle System*



### **3.7 Data collection technique**

Primary data collected using questionnaire. For the questionnaire part the researcher use both open ended and close ended questionnaire that would help to make precise the data.

The questionnaires were five parts: Part A deals with the profile of respondents, part B deals with the procurement planning practice and its effectiveness, part C was completeness of specifications, part D realistic Price estimation and then lastly, part E open-ended questionnaires ask any other issues that hinder the implementation of procurement planning effectiveness within the bank.

The possible answers to the questionnaires were categorized into five parts: strongly disagree, disagree, neutral, agree, and strongly agree. The questionnaires were managed through drop and pick method.

Validity determines whether the research tools truly measure what they are intended to measure(Golafshani, 2003). Validity of the questionnaire will be done through consultations with the advisor. This is to remove any built-in errors in the measurement of the questionnaire.

This means data collection instrument helps the researcher to get reliable information from the target population that how they feel and think about the issue. Generally, the questionnaire data have analyzed separately to understand the study.

### **3.8 Method of data analysis**

After the data collected, the close ended questions processed and analyzed by SPSS version 20; Mean, Standard Deviation and Percentile were computed. Open ended questions coded by the issue raises. So the researcher uses descriptive type of data analysis to draw conclusion and inferences. The researcher will be subject to use a brief descriptive analysis.

### **3.9 Reliability and Validity of Data**

The reliability and validity of the data is an essential element in judging the situation, the collected data will be tested if it yielded the desired results.

### 3.9.1 Reliability of Data

Refers to the process, procedure of the researcher to collect, analyze and interpret information's through predetermined time and interval from identified source and relevant information whereby other researcher may rely on to verify its accuracy, consistent and complete.

**Table 3.2 Reliability Test**

<b>Variables</b>	<b>Cronbach's Alpha</b>
Procurement planning practice	0.812
Specification completeness	0.761
Price estimation	0.794

*Source: Researchers compilation of survey data and SPSS output (2019)*

### 3.9.2 Validity of Data

Refers to the facts, truth of the information or data gathered from the organization, data collected will valid due to facts that is from the right source and the researcher ensured that the method of data collected, sampled and methodology of the study used will proper and related to the study. The collection of data is made through interview, questionnaires and observation. The same sets of questionnaires were given to all selected respondents, schedule made and asking the same question (Kothari, 2004).

### 3.10 Ethical consideration

In order to secure the consent of the research, the researcher communicated the details and the aims of the study. The researcher has also informed the participants that they have to participate in the research willingly. Moreover, the researcher ensured to the respondents not to disclose their names, position and personal information.

## **CHAPTER FOUR**

### **RESULT AND DISCUSSIONS**

#### **4.1 Procurement plan and implementation effectiveness**

This chapter deals with the presentation, analysis and interpretation of the data collected through questionnaires. The major contents are profiles of the respondents, procurement planning practice, and completeness of the specification and market assessment trend.

As it is summarized below in table 4.1, from the user department respondents 52.8% of the respondents are Male and the rest 47.2% are female employees, when we come to age of the respondents 61.1% of the respondents are between the age of 22-30, 33.3 % of the respondents are between the age of 31-40 and 5.6% are between the age of 41-50. Most of the respondents are young employees which can imply their energetic, active nature and shows the banks long term asset with regard to human capital of the bank. Concerning the job title of the respondents, the study tried to include different professionals whom work at different department since they are the end users of the procurement process whom can be affected by the activity of the procurement unit. The study considers the above listed professions to be vital for the research. Besides that the working experience of the respondents shows that most of the employees have good experience regarding with the study area and also they have a good educational knowledge.

As per table 4.1, the result shows that the study tried to include different professionals whom work with in procurement unit since the planning and actual implementation of procurement process task goes through different employees at different level working in the procurement unit of bank. This study considers and assumes that there is a direct relation between respondents' job title along with their educational background and working experiences for the effective implementation of the procurement planning.

**Table 4.1 Profile of the Respondents for user department and procurement unit**

Variables		User Departments		Procurement Unit	
		Frequency	Percent	Frequency	Percent
Gender	Male	19	52.8	33	60
	Female	17	47.2	22	40
	<b>Total</b>	<b>36</b>	<b>100</b>	<b>55</b>	<b>100</b>
Age	22-30	22	61.1	27	49.1
	31-40	12	33.3	21	38.2
	41-50	2	5.6	5	9.1
	51-60	-	-	2	3.6
	<b>Total</b>	<b>36</b>	<b>100</b>	<b>55</b>	<b>100</b>
Job Title	Accounts Officer	5	13.9	-	-
	Finance	1	2.8	-	-
	Customer Service Officer	5	13.9	-	-
	Team Leader	2	5.6	-	-
	Card And Account Transaction Officer	4	11.1	-	-
	Banking Operation Officer	4	11.1	-	-
	Senior Banking Operation Officer	9	25	-	-
	Reconciliation Officer	4	11.1	-	-
	Marketing Officer	2	5.6	-	-
	Senior Procurement Officer	-	-	17	30.9
	Associate Procurement Officer	-	-	5	9.1
	Procurement Officer	-	-	31	56.4
	Team Leader Contract Administration	-	-	2	3.6
	<b>Total</b>	<b>36</b>	<b>100</b>	<b>55</b>	<b>100</b>
Working Experience	1-3 Years	7	19.4	23	41.8
	4-6 Years	22	61.1	22	40
	7-10 Years	5	13.9	3	5.5
	Above 10 Years	2	5.6	7	12.7
	<b>Total</b>	<b>36</b>	<b>100</b>	<b>55</b>	<b>100</b>
Marriage Status	Married	13	36.1	33	60
	Single	21	58.3	22	40
	Divorced	2	5.6	-	-
	<b>Total</b>	<b>36</b>	<b>100</b>	<b>55</b>	<b>100</b>
Educational Level	Degree	24	66.7	42	76.4
	Masters and Above	12	33.3	13	23.6
	<b>Total</b>	<b>36</b>	<b>100</b>	<b>55</b>	<b>100</b>
Highest Qualification	Accounting	20	55.6	11	20
	Economics	4	11.1	8	14.5
	Management	9	25	16	29.1
	Procurement	-	-	11	20
	Marketing	3	8.3	3	5.5
	Procurement and Marketing	-	-	6	10.9
<b>Total</b>	<b>36</b>	<b>100</b>	<b>55</b>	<b>100</b>	

*Source: own survey, 2019*

## **4.2 Procurement Effectiveness**

The following descriptive statistical analysis shows the conceptual framework adopted for this study. Particularly, the analysis demonstrates the research questions, which are procurement planning-practice, specification completeness and realistic price estimation. To make discussions the study used mean, standard deviations and percentile.

### **4.2.1 Procurement-Planning and Implementation Practice**

In this particular section, the researcher has posed eight questions to the user departments and ten questions to the procurement unit. Both the user department and procurement unit respondents were asked to indicate the extent to which procurement planning effectiveness within the bank, on five scales (1=Strongly Disagree, 2= Disagree 3= Neutral, 4= Agree. And 5= Strongly Agree).Accordingly, the Mean Value between 1 and 1.49 strongly Disagree, Mean value greater than 1.49 and less than 2.49 indicate Disagree, Mean Value greater than 2.5 and less than 3.49 indicate Neutral and the Mean Value between 3.5 and 4.49 agree and mean value between 4.5 and 5 indicate Strongly Agree for the issue raised. The result of standard deviation describes the distribution in relation to the mean. Percentile result implied cumulative percent of strongly agree and agree greater than 80 % good performance, below 80% and greater than 50% indicate moderate performance and below 50% indicates poor performance.

As a result of table 4.2, the mean value of 3.64 shows that the user department raises their procurement needs on time. When it comes to the prioritizing of user departments need by the procurement unit, the mean value 3.8 result indicates that the unit properly adequately prioritizes the user need request. In contrary to the original assumption of this study if lack of qualified staff is a problem to raise procurement need, the respondents show neutrality by the mean value of 2.9. The respondents show the same neutrality if the annual procurement need to consolidate with procurement unit is Seen/Updated. The respondents agree to the fact that the annual procurement need is achievable by the mean value of 3.8. On the other hand the urgency work program can't affect the overall performance of the user department since the issue isn't raised repeatedly according to the result. Hence the procurement unit work process affects the work program of user departments it is obvious to easily understand the procurement unit staffs plays a great role for the success of user departments' work by the result shows the mean value of 4.0 for both issues raised respectively.

**Table 4.2 User departments; Procurement-Planning and Implementation Practice questions**

		Frequency	Percent	Mean	Standard Deviation
Raise Procurement Need On Time	Disagree	4	11.1	3.64	0.83
	Neutral	9	25.0		
	Agree	19	52.8		
	Strongly Agree	4	11.1		
Procurement Unit Properly Prioritizes Department need	Neutral	10	27.8	3.8	0.5
	Agree	24	66.7		
	Strongly Agree	2	5.6		
Lack of Qualified Staff is a Problem to Raise Procurement Need	Strongly Disagree	3	8.3	2.9	1.1
	Disagree	12	33.3		
	Neutral	7	19.4		
	Agree	12	33.3		
	Strongly Agree	2	5.6		
Seen/Update Your Annual Procurement Need to Consolidate with Procurement Unit	Strongly Disagree	4	11.1	2.9	1.2
	Disagree	13	36.1		
	Neutral	5	13.9		
	Agree	11	30.6		
	Strongly Agree	3	8.3		
Annual Procurement Need is Achievable	Neutral	14	38.9	3.8	0.7
	Agree	17	47.2		
	Strongly Agree	5	13.9		
Urgency Work Program is a major challenge for Procurement process	Strongly Disagree	6	16.7	3.2	1.3
	Disagree	4	11.1		
	Neutral	7	19.4		
	Agree	15	41.7		
	Strongly Agree	4	11.1		
Procurement Process affects Department Work	Disagree	2	5.6	4.0	0.9
	Neutral	9	25.0		
	Agree	11	30.6		
	Strongly Agree	14	38.9		
Procurement Unit staffs role for effective Implementation	Neutral	9	25.0	4.0	0.7
	Agree	18	50.0		
	Strongly Agree	9	25.0		

*Source: own survey, 2019*

**Table 4.3 Procurement unit: Procurement-Planning and Implementation Practice questions**

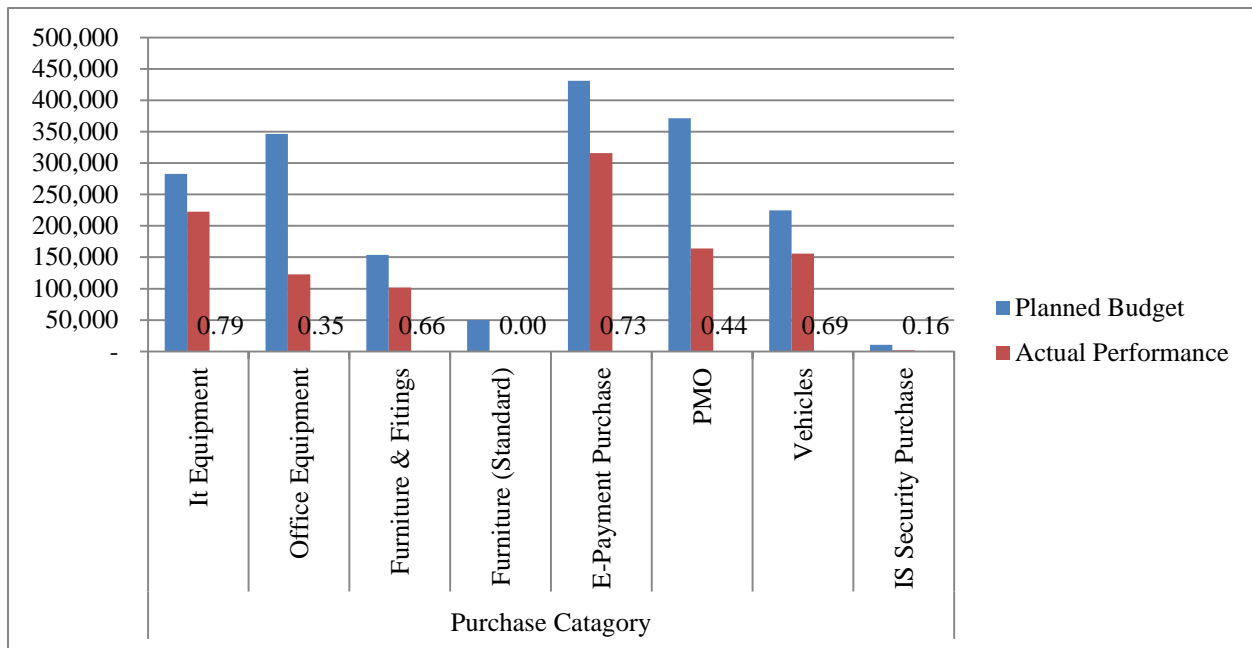
		Frequency	Percent	Mean	Standard Deviation
Procurement Plan Updated/Revised	Strongly Disagree	5	9.1	3.8	1.0
	Disagree	1	1.8		
	Neutral	3	5.5		
	Agree	37	67.3		
	Strongly Agree	9	16.4		
Does the Bank Announces the Annual Procurement Plan on CBE Website or other internal communication link	Strongly Disagree	3	5.5	3.3	1.0
	Disagree	11	20.0		
	Neutral	9	16.4		
	Agree	31	56.4		
	Strongly Agree	1	1.8		
Do You Evaluate the Effectiveness of the Procurement implementation based on the planned Procurement	Strongly Disagree	2	3.6	3.4	1.0
	Disagree	7	12.7		
	Neutral	21	38.2		
	Agree	19	34.5		
	Strongly Agree	6	10.9		
Do you Circulate Approved/Updated Procurement plan for User Department	Strongly Disagree	3	5.5	3.3	1.0
	Disagree	7	12.7		
	Neutral	17	30.9		
	Agree	25	45.5		
	Strongly Agree	3	5.5		
Do you Estimate the Internal and External Lead-Time in Preparing a procurement plan	Strongly Disagree	2	3.6	3.2	0.8
	Disagree	7	12.7		
	Neutral	26	47.3		
	Agree	19	34.5		
	Strongly Agree	1	1.8		
Do Lack of Qualified Staff and Right Number is a Problem Prepare the Procurement Plan	Strongly Disagree	6	10.9	3.2	1.3
	Disagree	11	20.0		
	Neutral	13	23.6		
	Agree	15	27.3		
	Strongly Agree	10	18.2		
Urgent/Unplanned Requisition is a Major Challenge to go with the Actual Procurement Process	Neutral	8	14.5	4.2	0.7
	Agree	26	47.3		
	Strongly Agree	21	38.2		
Extended Procurement Process is a problem to go with the Procurement Plan	Neutral	17	30.9	4.0	0.8
	Agree	23	41.8		
	Strongly Agree	15	27.3		
Goods Procured are delivered on time	Strongly Disagree	10	18.2	2.9	1.4
	Disagree	14	25.5		
	Neutral	10	18.2		
	Agree	11	20.0		
	Strongly Agree	10	18.2		
Goods Procured are value for money	Strongly Disagree	8	14.5	3.2	1.3
	Disagree	9	16.4		
	Neutral	13	23.6		
	Agree	14	25.5		
	Strongly Agree	11	20.0		

*Source: own survey, 2019*

As a result in table 4.3, most of the respondents show neutrality with regard to: -announcing procurement plan, evaluating the procurement implementation, estimating internal and external lead time and goods dispatched on time for user departments. Because of the fact that the respondents show a doubt on these key issues, we can easily understand the procurement unit has weak performances. On the other hand the extended procurement process is a problem to go with the procurement plan which is indicated by the mean values of 4.0 and also the mean value of 4.2 shows that urgent/unplanned requisition is a major challenge to go with the actual procurement process.

### Procurement Budget Utilization Summary for 2016/2017

*Figure 4.1 Plan versus Performance*



*Source: CBE Procurement Unit Annual Budget & Quarterly Progress Report*

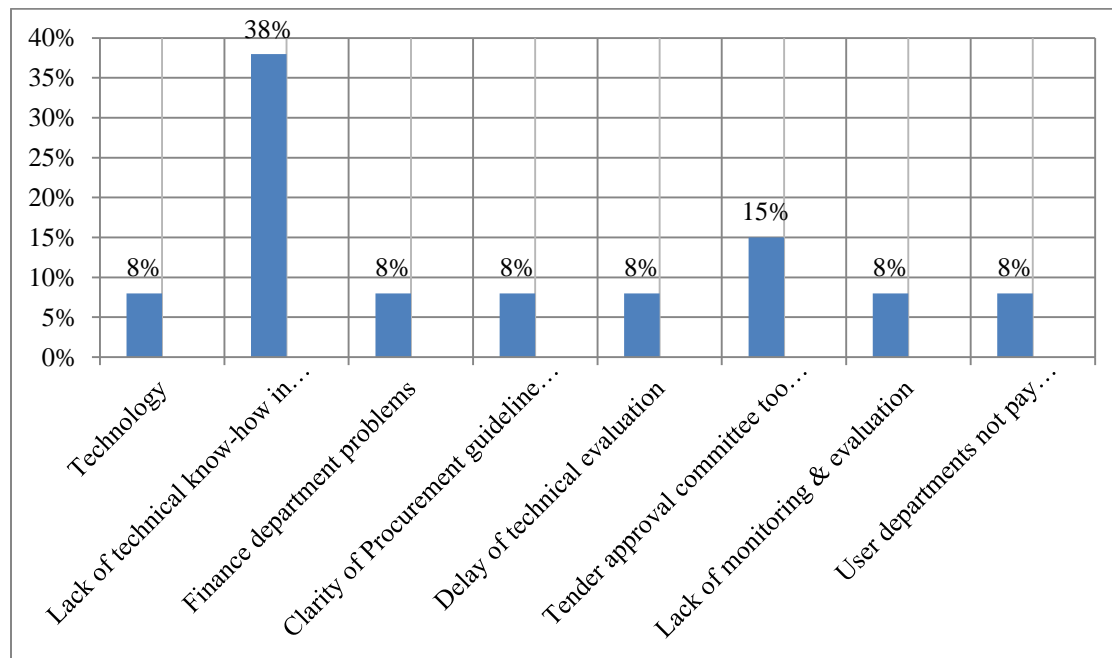
A total procurement budget of 1.87 billion had been allocated for the purchase of office and other equipment, furniture and fittings, It equipment, vehicles and items related to PMO and E-Payment for the year 2016/17. But the utilization level of those procurement item reached birr 1 billion or 58% at the end of the budget year. From the rest of 42% approved annual budgeted the 4% budget amount is cancelled on the other hand 27.7% is awarded and contract signed amount



besides that 8.84% budgeted amount were on process and the remaining 5.06% estimated budget value of not started purchase. This shows how the bank is far to meet the intended goal as well as their planning practice is undertaken without due attention by allocating excess budget for the whole budget category.

**Procurement plan and implementation related problems** from the open ended questions.

**Figure 4.2** *Procurement plan and implementation related problems*



**Source:** *open ended question respondents*

From the open ended questions employees wrote down was the lack of technology usage. As indicated in figure 4.2, there was no technology applied in the departments to accelerate the process.

Finance department’s delay to settle payment early was another issue, which was raised by the respondents; it has also an impact to carry out procurement planning effectively.

The respondents also raised clarity of procurement guidelines; it may link to the lack of technical expertise in procurement or the guideline itself.

Delay in technical evaluation is the main cause for the delay in bid process especially in consultancy service. As it is shown in Figure 4.2, 8 % of respondents describe the issue. There is an extra delay in the evaluation of bid documents; too much backward and forward was a big

challenge with user departments and procurement unit, particularly during the period of technical evaluation.

#### 4.2.2 Specification Completeness

One of the key things in preparing procurement plan and implementing consecutively is raising specifications. To assess this issue, the author raised four questions to the user departments and three questions to the procurement unit.

In table 4.5, mean value of 4 up to 5 were good, mean value 3.5 up to 4 is a moderate performance mean value 3.49 and less is poor performance. Percentile result implied cumulative percent of strongly agree and agree greater than 80 % good performance, below 80% and greater than 50% indicate moderate performance and below 50% indicates poor performance.

**Table 4.4 User Department: Specification Completeness questions**

		Frequency	Percent	Mean	Standard Deviation
The Specification Includes All the Necessary Things	Disagree	15	41.7	3.1	1.1
	Neutral	9	25.0		
	Agree	7	19.4		
	Strongly Agree	5	13.9		
Do you Prepare Specification for Procurement Need	Disagree	19	52.8	2.8	0.9
	Neutral	8	22.2		
	Agree	8	22.2		
	Strongly Agree	1	2.8		
Do you Use Standard Specification When You Prepare Procurement need	Strongly Disagree	1	2.8	3.4	0.8
	Disagree	4	11.1		
	Neutral	10	27.8		
	Agree	21	58.3		
Do you clearly Indicate Your Needs Specification In Raising annual procurement	Disagree	8	22.2	3.2	0.8
	Neutral	13	36.1		
	Agree	15	41.7		

*Source: own survey, 2019*

In procurement planning, users should raise their specification by the support of procurement unit. This specification may be clarified and have a better picture when it reaches to the procurement unit according to rules and regulations.

Based on the result of table 4.4 for the issues raised for the specification completeness the respondents show neutrality for the whole questions raised hence the whole mean value result was 3.5. only 33.3percent of them agreed on the completeness of the specification and also 25percent of user departments prepared specifications for their need request From those raised specifications 58.3 percent, mean of 3.4, said they were used standardized specification format, and also 41.7 percent, a mean of 3.2 have said they clearly and completely indicate what they require. This indicates that there is a great problem regarding with the completeness of the specification.

**Table 4.5 Procurement unit: Specification Completeness questions**

		Frequency	Percent	Mean	Standard Deviation
Does the User Department Raise Specification for their need Request	Strongly Disagree	3	5.5	3.5	1.1
	Disagree	11	20.0		
	Neutral	5	9.1		
	Agree	28	50.9		
	Strongly Agree	8	14.5		
Does the Requisition have clarity problem	Disagree	14	25.5	3.0	0.7
	Neutral	28	50.9		
	Agree	13	23.6		
Do you Use Specified Source of Information to Prepare Specification	Strongly Disagree	8	14.5	3.0	1.1
	Disagree	7	12.7		
	Neutral	19	34.5		
	Agree	21	38.2		

*Source: own survey, 2019*

As a result of table 4.5, procurement unit respondents 65.4 percent of the respondents agreed that user department raise specification for their need request by the mean value of 3.5. But they showed neutrality both if the requisition have clarity problem and if they use specified source of

information to prepare specification by the mean value of 3.0. This implies that the bank uses some source of information to prepare specification however the concerned organs and employees don't give enough attention for the issues raised.

### 4.2.3 Cost/price estimation

On the planning stage, assessing the market price is vital to ensure value for money. accordingly, to demonstrate the bank, the researcher raised questions for the user departments and for the procurement unit.

**Table 4.6 User Department: Market assessment questions**

		Frequency	Percent	Mean	Standard Deviation
Budgeting Process Starting Late to Prepare Procurement Plan	Disagree	12	33.3	3.1	0.9
	Neutral	8	22.2		
	Agree	16	44.4		
Do you use Market or other Source data to Estimate Cost/Price of Procurement Need	Strongly Disagree	1	2.8	3.4	1.1
	Disagree	6	16.7		
	Neutral	11	30.6		
	Agree	12	33.3		
	Strongly Agree	6	16.7		
Does Planned Budget is Realistic and achievable to Raise Procurement need	Disagree	7	19.4	3.4	0.9
	Neutral	12	33.3		
	Agree	14	38.9		
	Strongly Agree	3	8.3		

*Source: own survey, 2019*

As a result of table 4.6, the user department respondents showed neutrality for all questions raised concerning market assessment. This indicates the user department's weakness regarding market assessment which can result in inefficient planning to make cost effective purchase. One can easily understand how the bank has been spending excessive amount of finance due to lack of market assessment without comparing prices for a goods and services the bank has been

buying through its procurement unit. The user department could have helped the procurement units by way of making general market assessment when ordering items or services.

**Table 4.7 Procurement Unit: Market assessment questions**

		Frequency	Percent	Mean	Standard Deviation
Do You use Market or Other source of data to Estimate Cost/Price in the Procurement Plan	Strongly Disagree	3	5.5	3.4	1.0
	Disagree	8	14.5		
	Neutral	9	16.4		
	Agree	34	61.8		
	Strongly Agree	1	1.8		

*Source: own survey, 2019*

As a result of table 4.7, the procurement unit respondents showed neutrality regarding if they use market or other source of data to estimate cost/price in the procurement plan by the mean value of 3.4. This has a direct negative effect on the banks plan to make cost effective purchase. This must have been the procurement unit’s important task. This can led not only to excessive expenditure but also corruption since there is no means of control if the unit purchases goods and services from specific business institution or company without making price/quality comparisons.

### **4.3 Discussions**

According to Mlinga (2008) procurement plan is the procurement entities indicative purchasing plan for the financial year. He explained procurement plan to be a tool that facilitates early procurement caution and drew attention for the forthcoming year. But in contrary the CBE ‘s procurement plan is not undertaken in well-mannered way based on the planed versus performance report of 2016/17 year we can easily notice that there were a high excess budget as well as the procurement unit staffs procurement plan implementation were weak they record only 58%.James, U.V. (2004) revealed the participation of the prominent actors, both procurements unit and a user department, in the whole process of preparations and implementations of the annual procurement plan is very important.

On the other hand from the survey result table 4.7 and 4.8 weakness in regarding market assessment which can result inefficient planning to make cost effective purchase. One can easily understand how the bank has been spending excessive amount of finance due to lack of market assessment without comparing prices for a goods and services the bank has been buying through its procurement unit. Hence Gathering market intelligence enables to determine exactly what is available in the market, what alternatives exist, at what costs and conditions of acquisition, storage, use, In procurement planning, since the plan is for the future, the cost estimation should be much more realistic by assessing the required market condition, the previous trend and any source of price. In surveying the goods or service, the cost and the availability must be considered in commercial bank of Ethiopia. So to make the market assessment trend of the bank well synchronized the bank must give adequate and timely training for the concerned staffs of the bank.

The other independent variable the researcher raises regarding with procurement planning and implementation is specification completeness level the result shows according to table 4.5 and 4.6 especially the user department sample staff answers indicates that there is a great problem regarding the completeness level of the specification. Hence they can't easily understands the specification to raise their procurement needs so this leads for poor communication with the procurement unit and also it affects the annual procurement plan of the bank. Poor preparation and communication of the specification to bidders would have a negative impact on the manner in which potential bidders would prepare their bids and subsequently implement the project contract arising from the specifications provided (Barasa, 2014). A specification generally must be Clear, Correct, Complete and Concise (Mensah, 2013).

## **CHAPTER FIVE**

### **CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Conclusion**

Aimed at examining the practice of procurement planning and implementation practice in commercial bank of Ethiopia, the study has made a number of conclusions out of the final results found following the methodology that had been set originally. Hence Failing to go with the plan or working with the unsound plan is a major problem to accomplish the bank's mission and objectives in due time. Correspondingly, spending money without a plan is an indication that the organization has been going on the contrary to achieve value for money.

Based on the findings of the study, currently, the bank has been affected by the poor performance of procurement planning and implementation practice. The work programs of the bank had faced challenges by extra delay in the process of procurement.

The study revealed a lot of gaps in market assessment trend, developing specification and implementing the procurement plan. This could be due to the lack of adequate knowledge as well as experience to understand the actual procurement practice and problem related to it. This has created a gap to understand the existing procurement policy and procedure set by policy makers or top managements down to implementers.

The findings also revealed that the plan was not transparent and there was a gap to make corruption and malpractice due to piecemeal purchasing without adequate market price assessment trend. The study shows that there were weak practices on the ground to follow up the plan versus performance; there is a high amount of money consumed for the special approval purchase. From the planned procurement budget and progress report of the procurement budget the study finds a lot of excess budget allocated for some budget category and in contrast there is a high deficit budget shown in other budget category. Moreover extra delay in technical document evaluation has significant impact to achieve success in procurement function, the work programs had been affected by procurement function, because of the goods/service or works not being procured on time, in contrary, urgent/unplanned procurement requisitions is a challenge in procurement unit.

The study shows that there were weak practices on the ground to follow up the plan versus performance, which is vital to make an early corrective action.

## 5.2 Recommendations

According to the findings, hereafter, recommendations are forwarded with an eye to future improvements in the procurement planning and implementation process:

- ❖ Preparing clarified and complete specifications or terms of reference also preparing detail bid document featured poor performance. So, the major problem behind the weakening of the preparing specification and detail bid document was the lack of technical competency in preparation of specification and bid document. The study is believed that, be expertise is not one-time shoot practice, to have it; the bank should vigorously develop continuous training programs to the user departments and procurement unit, which is very useful to enhance implementation capacity. Particularly, the study recommends training on preparation of terms of reference, requirements, specification, evaluation of technical document, and detail bid document preparation.
- ❖ The planning and reporting format should display the planned procurement methods and the frequency of the selected and used procurement methods as well as the lead-time in detail.
- ❖ The approved planned budget must circulate to user departments this helps the user departments to stick to the allocated budget and also to know how the procurement process under goes.
- ❖ The other recommendation is to start early the bid process. As there was a moderate budget allocated to the procurement, to resolve the issue, starting early the bid process can have significant advantages to accelerate the process and to tackle the problems before things are gone out of the track. Furthermore, early preparation and approval process of the specification, bid document and technical evaluation is vital to challenge the bureaucratic process beforehand.
- ❖ Furthermore, undertaking the procurement without proper market price assessment is the major cause for not achieving value for money. The bank should establish a system to gather market data, which can be used as the source of comparing the price when the actual procurement is undertaken; it is also very useful to know potential supplier.



- ❖ Moreover, due to its complication, technology advancement and other societal growth, mitigating corruption is the major challenge in procurement; however, as it is shown in the literature, going through proper procurement planning is the most important tool to reduce corruption and malpractice. When organization has a well developed plan, and has a strong trend to purchase on planning base it can create and enhance transparency with a supplier, it can attract local and international bidders, the entire process of the procurement can be in a proper system, and this system has an absolute advantage to reduce misuse of scarce resource.
- ❖ Now a day's technology is becoming the most important tool to accelerate operations, particularly, starting to use technology in every part of service operation has absolute benefit to make things smooth and fast. So the bank must apply some sort of technology, which will be the database management system or some procurement related software's, which is very useful to communicate easily with the user department, procurement unit, policy and program bureau, procurement approval committee, property administration, internal audit, finance and even suppliers.

In conclusion, the study argues, the bank should admit that the procurement function is affecting the work programs of the departments and the overall performance of the bank so they must give the required emphasis for the achievement of the plan.

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## **APPENDIX I:**

### **Questionnaire for the User Departments**

My name is Dawit Tesfaye; I am a student at St.Marry's University School of Graduate Studies, Department of Project Management; I am carrying out an academic research study for the partial fulfillment of the requirement for the award of the degree of Master of Arts in Project Management. The purpose of this survey is to improve the performance of procurement planning and implementation within the Commercial Bank of Ethiopia.

You selected to participate in this survey, due to your important role in the procurement for your department. I will ask you a series of questions that would take your valuable time and your response is crucial for the success of this study. You are not required to disclose your name and responses will remain confidential and be analyzing together with the responses of others, solely for this study. We expect you to answer all questions truthfully.

#### **SECTION A: Demographic Information of Respondent**

Please circle the most appropriate option.

A1: Gender of respondent?    **A. Male B. Female**

A2: Age of Respondent?        **A. 22-30 B. 31-40 C. 41-50 D. 51-60**

A3: What is your current job title/position/? \_\_\_\_\_

A4: How long have you worked in this section/department?

**A. 1-3   B. 4-6   C. 7-10   D. Above 10 years**

A5: Marriage Status of the respondent    **A. Married   B. Single   C. Divorced**

A6: What is your highest qualification?

**A. Diploma B. Degree C. Masters and above**

A7:        What        is        your        professional?        **A.AccountingB.Economics.**

**C.EngineeringD.ManagementE.ProcurementF.MarketingG.Others(Please**

**specify)\_\_\_\_\_**

## SECTION B: Effectiveness of Procurement plan assessment question

Procurement-Planning Practice		Ratings				
		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
B01	Do you raise your department procurement needs on time?					
B02	Do you believe a procurement unit properly prioritizes the departments' procurement needs?					
B03	Does lack of qualified staff and the right numbers is a problem to raise early needs of procurement.					
B04	Have you seen/update your department annual procurement needs which a procurement unit of the bank consolidates?					
B05	Do you assume annual procurement needs is achievable in the bank?					
B06	Do you think urgency work program is a major challenge to wait the process of procurement unit?					
B07	Does the procurement process affect to accomplish your department work programs in due time?					
B08	Do you believe that the procurement unit staffs play a great role for the effective implementation of the annual procurement plan?					
Specifications Completeness		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
C01	Do you believe that the specification format includes					

	all the necessary things?					
C02	Do you prepare a specification for procurement needs?					
C03	Do you use standard specification when preparing your procurement needs?					
C04	Do you think you clearly and completely indicate your needs Specification in raising annual procurement?					
<b>Price Estimation</b>		<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>
		1	2	3	4	5
D01	Does budgeting process starting late to prepare the plan Timely?					
D02	Do you use market or other source data to estimate cost/price for your department procurement needs?					
D03	Does planned budget is realistic and achievable to raise needs?					

**E01**

Do you know about the preparation of annual procurement plan in your bank?

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**E02**

What factors affects the implementation of the annual procurement plan in your bank?

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**E03**

Can you mention other problem that can affect your department procurement needs effectiveness?

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**APPENDIX II:  
Questionnaire for the Procurement Unit**

My name is Dawit Tesfaye; I am a student at St.Marry’s University School of Graduate Studies, Department of Project Management; I am carrying out an academic research study for the partial fulfillment of the requirement for the award of the degree of Master of Arts in Project Management. The purpose of this survey is to improve the performance of procurement planning and implementation within the Commercial Bank of Ethiopia.

You selected to participate in this survey, due to your important role in the procurement for your department. I will ask you a series of questions that would take your valuable time and your response is crucial for the success of this study. You are not required to disclose your name and responses will remain confidential and be analyzing together with the responses of others, solely for this study. We expect you to answer all questions truthfully.

**SECTION A: Demographic Information of Respondent**

Please circle the most appropriate option.

- A1: Gender of respondent?    **A. Male B. Female**
- A2: Age of Respondent?        **A. 22-30 B. 31-40 C. 41-50 D. 51-60**
- A3: What is your current job title/position/? \_\_\_\_\_
- A4: How long have you worked in this section/department?  
      **A. 1-3    B. 4-6    C. 7-10    D. Above 10 years**
- A5: Marriage Status of the respondent    **A. Married    B. Single    C. Divorced**
- A6: What is your highest qualification?  
**A. Diploma B. Degree C. Masters and above**
- A7:        What        is        your        professional?        **A.AccountingB.Economics.  
C.EngineeringD.ManagementE.ProcurementF.MarketingG.Others(Please  
specify)\_\_\_\_\_**

**SECTION B: Effectiveness of Procurement plan assessment question**

<b>Procurement-Planning Practice</b>	<b>Ratings</b>				
	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>



		1	2	3	4	5
B01	Does the procurement plan updated/revised when necessary?					
B02	Does the bank announce annual procurement plan on the CBE website or on the specific internal communication link?					
B03	Do you evaluate and report the effectiveness of the procurement plan?(According to the planned procurement method)					
B04	Do you circulate approved/updated procurement plan for user department?					
B05	Do you estimate the internal and external lead-time inpreparing a procurement plan?					
B06	Do lack of qualified staff and the right numbers is a problem to prepare the procurement plan?					
B07	Does urgent/unplanned requisition is a major challenge to go with the actual procurement process?					
B08	Does the extended procurement process is a problem to go with procurement plan?					
B09	Goods procured are delivered on time?					
B10	Goods procured are value for money?					
<b>Specifications Completeness</b>		<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>

		1	2	3	4	5
C01	Does the user department raise specification for their request?					
C02	Does the requisition have a clarity problem?					
C03	Do you use specified source of information to prepare specification?					
<b>Price Estimation</b>		<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>
		1	2	3	4	5
D01	Do you use market or other source of data to estimate cost/price in the procurement plan?					

**E01**

Does the procurement unit staffed to appropriate level to facilitate the effective implementation of the procurement plans?

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**E02**

How long is the preparation of procurement plan taking place from identification of needs to final approval?

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**E03**

What strategies can be taken to attain effective implementation of procurement plan?

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**E04**

Can you mention other problem that can affect the effectiveness of the procurement plan implementation?

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**APPENDIX III:****CBE PROCUREMENT BUDGET PLAN AND PERFORMANCE REPORT FORMAT**

S.no.	Purchase category	Approved annual budget amount (A)	The amount that is collected from the cancelled budget (B)	Payment effected amount (C)	Accomp % $D=C/(A-B)$	Awarded and contract signed amount	On process	Estimated budget value of not started purchase
1								
2								
3								
4								
5								
6								
7								
8								
Total								
% Accomp.against budget								

**APPENDIX IV:****CBEBANK CHECK WRITING TABLE TECHNICAL SPECIFICATION FORMAT**

S.no.	Minimum requirements	Mandatory/point status
1	Description:	M/M&P
2	Overall size:	
3	Standard to comply:	
4	Table top:	
5	Legs:	
6	Color:	
7	Country of origin of the product:	
8	European certificate:	
9	Sample:	
10	The supplier should attach hard copy and reference	

Prepared by: \_\_\_\_\_ Checked by: \_\_\_\_\_

Signature \_\_\_\_\_ Signature \_\_\_\_\_

**APPENDIX V:**

**CBEBANK CHECK WRITING TABLE TECHNICAL EVALUATION CRITERIA'S  
FORMAT**

Minimum requirements	Evaluation criteria	Allotted point (weight)	Point allocation	Point allocation in percentile
1, <b>Sample:</b> sample conformity to size, quality, strength and attractiveness	A. High quality ,strength, and attractiveness B. Medium quality ,strength, and attractiveness C. Low quality ,strength, and attractiveness (Rejected)			
	Total			

Prepared by: \_\_\_\_\_ Checked by: \_\_\_\_\_

Signature \_\_\_\_\_ Signature \_\_\_\_\_