Integrity in Federal Public Procurement of Ethiopia

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Abstract: *Procurement integrity is related to the commitment and honesty of individuals and teams in performing their assignment at the required level to ensure transparency and accountability and curb corruption. The main purpose of this study is to examine integrity in procurement system of the federal organizations. The organizations considered in this study are ministries, agencies, and commissions. Questionnaire was designed to examine the major factors that influence integrity in procurement of the federal organizations. The findings show that integrity of employees in performing their duty and making honest discussions to solve the existing as well as perceived risks have not been created well in the organizations. It has been suggested that the procurement system has to do with the integrity of team members and team leaders to enhance commitment of individuals and procurement teams. Moreover, honest discussions on the problems and opportunities are needed; mission, vision, and common goals of the organizations are essentially required; and grounds that deal with malpractices are needed. Anxieties and stress of individuals and team leaders will adversely affect the integrity in procurement operation and hence impair the procurement system of the organization.*

Key Words: Integrity, Accountability, Transparency, Honesty, Commitment

1. Introduction

The Transparency International has developed an Integrity Pact (IP) to help governments, businesses, and civil societies in the course of fighting corruption in public contracting. The IP was developed to set out rights and obligations to the effect that the buyers and the sellers will not offer, pay, or accept bribes as well as to curtail collusive practices of competitors in ensuring procurement integrity (Transparency International, 2013). Procurement integrity can successfully be achieved through civil society, open contracting initiatives, the use of new technology and citizen monitoring mechanisms (Schöberlein & Jenkins, 2019).

Transparency International (2017) defines the integrity as "*behaviors and actions that are consistent with a set of morals or ethical principles and standards that are embraced by individuals and institutions that create a barrier to corruption*". The European Procurement Directive 2014/24/EU also declares that "*conflict of interests is a major preoccupation of the integrity of public procurement procedures*" (Dragoş & Horváthová, 2017). A transparent procurement process promotes competition, enhances efficiency, and curtails the threat of corruption (Mentta & Maldaye, 2020).

Public procurement has social, economic and political dimensions. Across the world, public procurement takes 10-15 percent shares of the GDP (OECD, 2009), and in Ethiopia, it accounts for 14 percent of the GDP of the country. Moreover, in Ethiopia, procurement consumes approximately 64 percent of the annual budget (Mentta & Maldaye, 2020).

1.1. Statement of the Problem

The OECD recommendation presents the public integrity with regard to consistent alignment of shared ethical values, principles and norms for maintaining and prioritizing the public interest. It requires the adherence to the values, principles and norms as well as prioritizing the public interest over private interest. It further explains that integrity is one of the key pillars of social, economic and political structures (OECD, 2017). From this we can understand that integrity is a very key tool in public procurement system as

government procurement consumes the larger share of public expenditure, particularly in Ethiopia it accounts for 64 percent of the annual budget (Mentta & Maldaye, 2020).

Integrity exists when an organization's operational systems, corruption prevention strategies, and ethical standards are fully integrated to achieve its purposes (Boardman & Klum, 2013). Boardman and Klum (2013) further state that the ethical standards should include integrity being honest, open, accountable, objective and courageous. From this, it can be understood that integrity is linked to accountability and transparency.

The primary goals in every procurement system are to promote efficiency and integrity. The correct performance is also a means to protect the integrity and correctness of the choices made by the contracting authority and to detect unlawful decisions or errors of assessment (Racca & Perin, 2013). The application and objective of the selection criteria influence the integrity of public procurement. To ensure integrity, legal enforcement and effective reporting system call for enhanced integrity (OECD, 2007).

In the past few years, the Ethiopian procurement system was characterized by high corruption, less transparency and accountability, and weak law enforcement so that government officials were known in prioritizing private gain over public interest and hence integrity was significantly eroded in government procurement system. Therefore, this research is aimed at addressing the integrity in procurement system of the federal public organizations of Ethiopia.

1.2. Study Objective

The overall objective of this study is to examine the integrity in public procurement system of the federal organizations of Ethiopia. Specific objective of this study is to examine the major factors that influence integrity in public procurement.

2. Methodology

The study has employed an explanatory research design. Both qualitative and quantitative data were collected from ministries, agencies, and commissions and analyses were made qualitatively and quantitatively.

2.1. Population, Sample Size and Sampling Technique

Ministries, agencies and commissions were considered due to the fact that they acquire goods works, and services in a very bulk amount when compared to other organizations. Some of these organizations (particularly agencies) make bulk purchases through framework contracts on behalf of other user departments (i.e., public organizations). The selected organizations were purposively considered assuming that they make large and complex procurement. For data collection, all the officers and middle and lower level managers and employees of the selected organizations were included to respond to the questionnaire distributed to them.

The federal organizations considered in this study were Ethiopian Revenue Authority, Federal Procurement and Property Administration Agency, Ethiopian Road Authority, Ministry of Transport, Public Procurement and Property Disposal Service, Ministry of Finance and Economic Cooperation, Ministry of Health, Ministry of Trade, Ministry of Water and Energy, Ministry of Urban Development and Housing, Ethiopian Investment Commission, and Ministry of Industry.

2.2. Data Collection Instruments

The data were collected through questionnaires, discussions, and reviewing documents from ministries, agencies and commissions. Three focus group discussions were made with the procurement officers of the Public Procurement and Property Administration Agency, the Ministry of Urban Development and Housing, and the Ethiopian Road Authority. Moreover, procurement policy documents were considered for additional information.

2.3. Variables and Data Analysis

The variables related to integrity were identified from various sources and the questionnaire was designed taking into account these variables. The data were discussed descriptively and inferentially. Percentages and frequencies were used to describe the data, and later the likert-scale responses were regressed to examine the statistical significances of variables.

2.4. Data Validity and Reliability

Various sources were sufficiently referred to design valid questionnaire. Moreover, the reliability test was made to check the internal consistency of the components of the questionnaire. The Cronbach's alpha results of the variables included examined in this study, i.e., explaining feelings freely, flow of information among team, teamwork for common goals of the organization, consistency of words and actions, resolving differences honestly are 0.702, 0.739, 0.879, 0.737, and 0.821 respectively. The reliability tests show that all the questionnaires are internally consistent.

3. Literature Review

As defined by Kuhn & Sherman (2014) and Prevenslik & Kostyo (2006), "*integrity refers to behaviors and actions consistent with a set of moral or ethical principles and standards, embraced by individuals as well as institutions that create a barrier to corruption.*" Moreover, it is related to soundness of moral character, having sense of honesty and truthfulness in regard to the motivations for personal and organizational behavior, adherence to commonly accepted moral and ethical principles, impartiality and incorruptibility, consistency between words and actions, and moral/ethical behavior (Palanski & Yamarino, 2007; Palanski et al., 2010). When there is integrity that can consistently be seen in words and actions by individuals, it avoids any behavior that may be against fairness and equity and ensures value for money (PPPA, 2011).

Integrity must be installed in entire procurement process. A common mistake in procurement practice is to focus only on the tendering and decision-making stage of the procurement process (Yukins, 2007). Procurement can effectively be managed if the process is controlled after the contract is signed and actual delivery takes place. Integrity must be convened in pre-tendering as well as post-tendering phases (Heggstad & Frøystad, 2011).

The integrity risks connected with noncompetitive procurement procedures will be mitigated ensuring a competitive process as competitive procurement process promotes openness and transparency. Integrity can be strengthened through maintaining an independent internal control system. A strong internal control helps organizations detect corruptions and frauds (Heggstad & Frøystad, 2011).

The integrity principle applies to the procurement process and its participants and in which the procurement is carried out in compliance with the relevant laws and regulations (OECD, 2007; OECD, 2009). In carrying out all procurement transactions, the best and most suitable technical expertise available need to be employed in fair and evenhanded way in which fair and open competition leads to a quality product and/or service at a fair price and takes into account the right desires and concerns of all the stakeholders (UNDP, 2010). Lack of integrity in procurement decreases the validity of organization and/or government decisions and diminishes trust in procurement processes (OECD, 2007).

The legislation that is dealing with the conflict of interest should deal with three main issues – functions and positions to be held by the procurement officials, registration of interests, steps to be taken when conflicts of interest are identified (Dragoş & Horváthová, 2017). Appropriately enacted and enforceable procurement laws enable to reduce the opportunities for corrupt practices of procurement officers by imposing accountability and transparency requirements (DeAses, 2005; Armstrong, 2005). Such in place system enables to check and verify the activities of procurement officers and to reduce the possibility of such officer's own self-

interest acts that violate honesty and truthfulness (OECD, 2015). Not only having such laws by themselves are the only remedies for effective execution of all procurement businesses but also they need to be properly investigated by those who have power to oversee their application and if there is deviation, take corrective and sanctioning actions on all parties involved in procurement transactions (Vasantasingh, 2008).

Accountability and transparency are the key conditions for ensuring integrity and preventing corruption (OECD, 2007; Greiling & Halahmi, 2010). The researcher's previous works on accountability and transparency on public procurement clearly indicate that answerability for plan, action, and result as well as transparent reporting mechanisms to government and the general public are very essential in curbing corruption and promoting efficiency and effectiveness (Mentta & Maldaye, 2020 and Mentta & Maldaye, 2020). These results complements with the view of OECD (2007, Myrish & Antonio, 2007) that accountability and transparency are the key conditions for promoting integrity and preventing corruption. Risks of integrity can be reduced promoting accountability and transparency in government procurement.

4. Discussion and Result

Integrity is characterized by being honest and upright to what is being done, and working in accordance with the requirements of the organization ensuring commitment to the assigned responsibilities. It is regarded as prioritizing pubic interest over private interests as well. The researcher's main focus is thus to evaluate how integrity is ensured in procurement system of the federal organizations to promote efficiency, effectiveness and fairness in procurement system and hence curtail corrupt behaviors of procurement officers and employees.

4.1. Demographic Information of the Respondents

The data were collected from 75 respondents in the form of questionnaire from federal public organizations (ministries, agencies, and commissions). These respondents were requested to respond their specific experiences on procurement areas. With regard to this, table 1 indicates the specific experiences of the respondents.

Table 1: Work Experience of the Respondents

Year of Experience		Frequency	Percent	Cumulative Percent
Valid	Below 2 Years	12	16.0	16.0
	2-4 Years	12	16.0	32.0
	4-6 Years	15	20.0	52.0
	Above 6 Years	36	48.0	100.0
	Total	75	100.0	

Table 1 shows that more than 84 percent of the respondents have two or more than two years of relevant experiences on procurement areas. The researcher assumes that the respondents have sufficient experiences and understandings on procurement practices of their respective organizations.

Table 2 also shows the respondents' level of education of the federal organizations. About 96 percent of the respondents are diploma and above and the researcher considers that the respondents have responded the questionnaire with sufficient understanding of the terms.

Table 2: Level of Education

Level of Education		Frequency	Percent	Cumulative Percent
Valid	Certificate	3	4.0	4.0
	Diploma	9	12.0	16.0
	First Degree	48	64.0	80.0
	Masters Degree	20	20.0	100.0
	Total	75	100.0	

Table 3 gives some essential insights about whether the respondents have sufficient understanding about what they have been asked. Accordingly, 94.7 percent of the respondents are currently working in procurement related areas. Those who responded other are also currently working in procurement related areas although the indicated positions on the questionnaire are not their positions in their organizations. Thus, the researcher understands that right respondents have been addressed to provide information about public procurement.

Table 3: Current Position of the Respondents

	Current Assignment of the Respondents	Frequency	Percent	Cumulative Percent
Valid	Procurement Officer	22	29.3	29.3
	Senior Procurement Officer	29	38.7	68.0
	Head of Procurement Department	9	12.0	80.0
	Property Administrator	1	1.3	81.3
	Purchaser	2	2.7	84.0
	Procurement Training and Professional Support Officer	1	1.3	85.3
	Procurement and Procurement Affairs Expert	2	2.7	88.0
	Property Administrator	1	1.3	89.3
	Procurement Complaint Resolution Officer	4	5.3	94.6
	Other	4	5.3	100.0
	Total	75	100.0	

Policymakers crafting a sound procurement system must balance a number of goals. Of those goals, experiences have shown that competition, transparency, and integrity are probably the most important goals of procurement policies (Yukins, 2007). As we said in literature section, Palanski & Yammarino (2007) define the behavioral integrity as wholeness, authenticity, consistency in adversity, and consistency in words and actions. The individual and organizational honesty can be explained by the definitions of Palanski & Yammarino. Integrity is not independent of accountability and transparency, it is very essential to ensure accountability and transparency (Mentta & Maldaye, 2020; Mentta & Maldaye, 2020).

Table 4: Integrity with Regard to Words and Actions

In procurement implementation, what is stated in words and what is being done are similar		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	14	18.7	18.7
	Disagree	20	26.7	45.4
	Neutral	6	8.0	53.4
	Agree	31	41.3	94.7
	Strongly Agree	4	5.3	100.0
	Total	75	100.0	

The description indicated in table 4 shows that greater portion of the respondents disagree that words and actions are not similar in many cases. Further explanations of the respondents in this issue (i.e., focus group discussions) show that the procurement plan is prepared in public organizations, but the actual implementation of procurement activities doesn't go in line with initially prepared plan. Moreover, there are cases that what was required to be done and what was initially stated differ in many cases in relation to procurement.

Palanski & Yammarino (2007) indicate that integrity is related to work moral and ethics. As can be seen from Table 5, the higher share of respondents disagreed that the work moral and ethics are not installed well in their organizations. Further explanations indicate that procurement is not considered as the most important function of the organizations and professionalism, motivations, and rewards are less considered in this area of assignment.

Table 5: Integrity with Regard to Work Moral and Ethics

Procurement staff work their procurement duties with high work moral and ethics		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	8	10.7	10.7	10.7
	Disagree	29	38.7	38.7	49.3
	Neutral	8	10.7	10.7	60.0
	Agree	25	33.3	33.3	93.3
	Strongly Agree	5	6.7	6.7	100.0
	Total	75	100.0	100.0	

More importantly, integrity deals with getting ready for changes and new approaches that benefit their organization. With regard to this, the respondents highly agree that individuals or team members are responsive to changes. This may be because of the reality that this area needs attitudinal as well as professional changes. It is clear that the Ethiopian government has taken a lot of actions in procurement policy reform through periodically reviewing strengths and weaknesses in procurement policies and practices. This can be witnessed by the reform actions of proclamations and directives as well as manuals and standard bidding documents to improve and enhance procurement operations. Here, however, the main issue is that the change that the government has made hasn't contributed to professionalism and professional ethics including motivations and creating conducive work environment to procurement operations.

Integrity extends to trust among team members. Palanski and Yammarino (2007) state that trust among the team enhances the team spirit and helps the team members to have strong bond among them and helps them identify problems and suggest solutions having bold discussions. With regard to team integrity, the following question has been asked and respondents responded to it as indicated in Table 6.

Table 6: Trust among Team Members

There is trust among the team members in their assigned tasks		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	14	18.7	18.7
	Disagree	22	29.3	48.0
	Neutral	14	18.7	66.7
	Agree	23	30.7	97.3
	Strongly Agree	2	2.7	100.0
	Total	75	100.0	

As Table 6 indicates, more shares of the respondents judge that team trust is not strong among members of the procurement team. The question was extended to know more about trust among team members and their team leader as a result of his/her good conduct and quality of decisions on procurement issues and their response indicates that the trust is not strong and needs more work to build it.

Integrity is described by explaining feelings, concerns, and situations (including threats and anxieties) boldly to team members or team leader and suggesting what would like to be done without hesitation. With regard to this, much of the respondents do not agree that issues are boldly and honestly discussed and feelings are shared without any anxiety and frustrations.

Table 7: Honest Discussions and Sharing of Feelings

When somebody asks you about what is to be done, you boldly explain what you would like to be done		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	5	6.7	6.7
	Disagree	5	6.7	13.3
	Neutral	11	14.7	28.0
	Agree	32	42.7	70.7
	Strongly Agree	22	29.3	100.0
	Total	75	100.0	

In this section the normality test, autocorrelation test, heteroscedasticity test, and multicollinearity test have been made. The normality test has been made and the data are normally distributed. The Durbin-Watson test shows that the data doesn't have autocorrelation problem (see Table 8), and the VIF values indicate that the variables are free from multicollinearity problem (see Table 10).

Table 8: Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.943^a	.889	.881	.34425888	.889	111.080	5	69	.000	2.008

a. Predictors: (Constant), Explaining feelings freely; Flow of information among team members, Teamwork for common goals of the organization; Consistency of words and actions; Access and flow of information; Resolving differences honestly

b. Dependent Variable: Integrity

Table 9: ANOVA^a

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	65.823	5	13.165	111.080	.000^b
	Residual	8.177	69	.119		
	Total	74.000	74			

a. Dependent Variable: Integrity

b. Predictors: (Constant), Explaining feelings freely; Flow of information among team members, Teamwork for common goals of the organization; Consistency of words and actions; Access and flow of information; Resolving differences honestly

Table 10: Coefficients^a

		Unstandardized	Standardized			Collinearity

Model	Coefficients		Coefficients	t	Sig.	Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	1.353E-017	.040		.000	1.000		
Explaining feelings freely	-.049	.040	-.049	-1.229	.223	0.842	1.188
Flow of information among the team members	.180	.040	.180	4.510	.000	0.628	1.592
Teamwork for common goals of the organization	.482	.040	.482	12.041	.000	0.669	1.495
Consistency of words and actions	.688	.040	.688	17.188	.000	0.698	1.433
Resolving differences honestly	.386	.040	.386	9.651	.000	0.583	1.689

a. Dependent Variable: Integrity

Table 10 indicates that access of flow of information among team members enhances team integrity. Access and flow of information are explained in terms of honesty of information on decisions made, and when information of procurement and related decisions are available to the team members whenever required as an input. As can be seen from Table 10 above, it is significantly related to integrity at p-value less than 1 percent. Moreover, teamwork for common goals of the organization (such as clear definition of mission, vision, goals, and values with regard to their respective assignment), team members are motivated to achieve their organizational goals and objectives when goods, works, and services are attached to defined mission, vision, goals, and values of the organizations. From the above result, it can be seen that it is significantly related to integrity at p-value less than 1 percent.

The term "consistency of words and actions" related to implementing what is promised to be implemented at an organization level as well as individual's and team members' commitment to implemented what has been planned and agreed to perform. At an organizational level, procurement plan is made every year. However, procurement operations are different from what has been planned initially and resources are diverted to other unplanned expenditures and there are rush acquisitions that do not meet the standards set as specification. When words stated in the form of plan or at an organization level are in line with what the team members as well as team leaders have agreed, it will enhance the team integrity. The analysis result indicates that the consistency of words and actions enhances team integrity significantly (at p-value < 1%).

Lastly, resolving differences honestly is one of the factors considered for integrity. This variable is explained with regard to the fact that team consensus cannot be expected always and there may be differences and disagreements on procurement practices due to various reasons. Since procurement is not objectively measured always, it is good to expect differences and misunderstandings. Procurement process requires mutual trust and respect as well as resolving problems and differences amicably within the team members as well as hierarchically. The result also indicates that this variable is statistically significant at p-value less than 1 percent. This indicates that resolving differences and misunderstandings honestly will enhance team integrity in the organization.

5. Conclusion and Policy Implications

The procurement practices in federal organizations of Ethiopia lack integrity and accountability due to non-transparent processes. Public procurement requires a high level of integrity to the procurement team and leaders as it demands the attitude of individuals and leaders in addition to knowledge and skills. In federal organizations, team spirit and honest discussions on weaknesses of the procurement system are very weak, and corrective actions are rarely considered to discourage non-competitive practices. Consistency of words and actions, honest discussions of problems and opportunities, etc. in procurement related tasks is essentially buffers team performance and contributes its part to the successful spending of public resources.

Hence, the policy implications of this study are indicated hereunder.

- Integrity is required from both procurement team members and the team leaders, and honest discussions on plans, mission, vision and common goals of the organization will enhance the commitment of the team members as well as the leaders. Discussions on problems and opportunities, on requirements for changes, and unethical practices should not create anxieties and frustrations to the team members and the leaders of the organization. Integrity is needed to be ensured at an organization level and among team members making honest discussions and searching for solutions for differences and misunderstandings of their operation.

- Federal organizations are required to work on transparency and accountability to ensure integrity. Corruption can be reduced when a transparency system is enhanced and the law enforcement functions well to ensure accountability.

Acknowledgement

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