

## **Executive Summary**

The power sector in Bangladesh faces numerous problems characterized by lack of supply capacity, frequent power cuts, unacceptable quality of power supply, and poor financial & operational performance of the sector entities. Lack of good governance along with poor procurement management is considered to be the root cause of these problems. According to a report by the World Bank, procurement is considered as the single most significant issue affecting public sector performance in Bangladesh, with enormous wastage of money.

Procurement of goods, works, plants, physical and intellectual services is an integral part of the development process. According to Transparency International Bangladesh the procurement process in power sector has been distorted due to unwanted intervention in the procurement process, complexities of the tendering process, wrong evaluations, corruption such as putting specific condition, collusion between the bid officials and renderers' etc.

An assessment on the procurement performance of the four largest government organizations (considering procurement size and spread) including a power sector organization, i.e. Rural Electrification Board (REB) was conducted by the World Bank in the year 2009 which states that Bangladesh has made good progress in establishing the foundations for an effective public procurement system by introducing necessary legislations and regulatory institutions. The assessment further showed that among four organizations REB appeared to show better performance.

REB, one of the largest organizations in power sector of Bangladesh, showed improved procurement performance compared to other three large government agencies; but its procurement performance was never compared against the corporate bodies, i.e. public limited companies in the same sector, which are perceived to be better performing with respect to procurement activities.

The main objective of the study was to evaluate, compare and contrast the procurement performance of a government agency (REB) with a public limited company (Dhaka Electric Supply Company Limited, DESCO) in the Power Sector of Bangladesh in terms of transparency, efficiency and competitiveness. The specific objectives were to find out the bottlenecks that create delay in the procurement process and also to find out areas of improvement for both the organizations. The evaluation was conducted on the basis of a set of Key Performance Indicators (KPI) covering all three study areas, i.e. transparency, efficiency and competitiveness. Eighty procurement contracts for two financial years (FY2012-11 and FY 2011-10) were thoroughly studied to gather data that eventually translated into key performance Indicators.

The study revealed that the overall attainment of the two organizations in respect to their performance in procurement functions have been showing a gradual improvement from FY11 to

FY12. The organizations ensured transparency in procurement through advertising 100% of the invitations for tenders in widely circulated newspapers.

However, performance is poor as regards to the efficiency of procurement process and contract management in REB compared to DESCO, and it is moderate in terms of competitiveness and transparency for both the organizations. Procurement processing delays primarily during tender evaluation and approval have been identified as one of the major challenge in REB, and it was observed that the higher the hierarchy levels of procurement decision-making, the lesser the efficiency of the procurement system.

Efficient and effective procurement management is of paramount necessity for power sector organizations in order to produce and provide quality electricity and related services to the consumers. By making the procurement system more transparent and less time consuming organizations can attract large number of suppliers, and thereby facilitate higher competition among the suppliers which will result in procurement of good quality products with competitive price. Thus organizations will be able to provide better quality electricity and related services to the consumers.