

Challenges of Service Procurement – A Case Study at the Second Rural  
Transport Improvement Project of Local Government Engineering  
Department.

Dissertation submitted in partial fulfillment of the  
requirements for the Degree of  
Masters in Procurement and Supply Management

Submitted by  
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MPSM, Batch # 4  
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**Masters in Procurement and Supply Management Programme 2013-14**

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BRAC Institute of Governance and Development, BRAC University

## **Letter of transmittal**

July 2015

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**Subject: Submission of Thesis Paper titled ‘Challenges of Service Procurement – A Case Study at the Second Rural Transport Improvement Project of Local Government Engineering Department’.**

Dear Sir,

I am very much pleased to submit the thesis paper entitled ‘*Challenges of Service Procurement – A case study at the Second Rural Transport Improvement Project of Local Government Engineering Department*’, as a partial fulfillment of the requirements for the degree of Masters in Procurement and Supply Management (MPSM). This is my great opportunity to work under your valuable guidance. The dissertation work is done by me and it is prepared on the basis of practical working experiences, survey questionnaire, interviews, primary and secondary data, various academic books, journals and website. If there is need for any correction, please let me know and I will correct it. I hope that you will accept the dissertation paper for your assessment and oblige thereby.

Sincerely yours

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## **CERTIFICATE FROM SUPERVISOR**

This is to certify that Md. Rayhan Shiddique, MPSM Batch # 4, ID-13282009 has prepared the thesis entitled “Challenges of Service Procurement – A Case Study at the Second Rural Transport Improvement Project of Local Government Engineering Department” under my supervision. I do hereby approve the style and content of this thesis. This is for the partial fulfillment of the requirement for the degree of Masters in Procurement and Supply Management (MPSM) at the *BRAC* Institute of Governance and Development (*BIGD*) in *BRAC* University.

**23 July 2015**

**(Md. Mosta Gausul Hoque, PMP)**  
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## **Statement of the Author**

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**Md. Rayhan Shiddique**

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## Abbreviations

AE	Assistant Engineer
BAIDP	Bangladesh Agricultural Infrastructural Development Program
CCGP	Cabinet Committee of Government Purchase
CE	Chief Engineer
CPAR	Country Procurement Assessment Report
CPTU	Central Procurement Technical Unit
CSOs	Selection amongst Community Service Organizations
CV	Curriculum Vitae
D&SC	Design and Supervision Consultants
DC	Design Contest
DPD	Deputy Project Director
e-GP	Electronic Government Procurement
EOI	Expression of Interest
FAPAD	Foreign Aided Project Audit Directorate
GOB	Government of Bangladesh
GFR	General Financial Rules
HOPE	Head of Procuring Entity
ICB	International Competitive Bidding
IDA	International Development Association
IMED	Implementation Monitoring and Evaluation Division
IPAC	Integrated Performance Audit Consultant
LCS	Least Cost Selection
LGED	Local Government Engineering Department
MGSP	Municipal Governance Support Project
NGO	Non-Governmental Organization
NOBIDEP	Northern Bangladesh Integrated Development Project
PD	Project Director
PEC	Proposal Evaluation Committee
PMU	Project Management Unit
POC	Proposal Opening Committee
POS	Proposal Opening Sheet
PPA 2006	Public Procurement Act 2006
PPR 2003	Public Procurement Regulations 2003
PPR 2008	Public Procurement Rules 2008
QCBS	Quality and Cost Based Selection
RFP	Request for Proposal
RTIP-II	Second Rural Transport Improvement Project
SBCQ	Selection Based on Consultant's Qualification
SE	Superintending Engineer
SFB	Selection under a Fixed Budget
Sr.AE	Senior Assistant Engineer
SSS	Single Source Selection
TOR	Terms of Reference
WB	World Bank
XEN	Executive Engineer

## **Executive Summary**

Procurement of service in the public sector organizations is very large i.e. and a high proportion of the external sourcing are for consultant services. In the Europe around 50% of the total external sourcing of consultants is hired by local governments for, construction work, maintenance work, public transport, garbage collection, social services, consultants and network services etc. Procurement of services in public sector is becoming an increasingly important issue. Support services such as cleaning, catering and security are in a high degree contracted out however outsourcing is applied to other kind of services, namely in public services in which the public organizations must provide to the citizens, increasingly through external supports. The keyword in the current international approach to public procurement is value, which involves making taxpayers' money go further in meeting user requirements. Value can be further broken down to three popular ideas of public procurement goals: economy, efficiency, and effectiveness. Economy is concerned with minimizing the cost of resources acquired or used, having regard for the quality of inputs. Efficiency is concerned with the relationship between the outputs of services and the resources used, while effectiveness is concerned with the achievement of targets, not only in terms of quantity but also quality. The means by which value is to be achieved is a source of much debate. Economy efficiency through competition can reduce cost and improve quality. However, this is mainly because of increased attention paid to quality through monitoring, explicit inspections, and emphasis on standards. Competition creates lengthy tendering procedures, which increases transaction costs, while the arms length relationship limits the ability of buyers and sellers to forecast accurately the risks and eventualities in the contract.

In the Bangladesh context the service procurement in the public sector is necessary because of insufficient number of skilled persons, huge money involvement of deploying permanent staff, size of government becoming large. The study focuses on challenges of the selection of consultants in the development projects. We know projects means the temporary endeavor undertaken to create a unique product, service or result. The project has a start and an end. There are persons involved in the projects to carry out the project and successful completion of the project. In the successful completion of the projects, the role of consultants is very much vital. The consultant team supports the project personnel and carries out specific job. So the skill, capability, dedication of the consultants is important. It is also important for the consultants to cope with the project personnel. The challenges faced in the selection of consultants should be carefully handled. When the project become sick in the first year for low performance without the presence of consultant, it is very difficult to cover the laggings. But in the next years the targets are re-set and sometimes over program are necessary.

# CHAPTER ONE

## Introduction

### 1.1 Background of the Study

The thesis title is the challenges of service procurement – a case study of Second Rural Transport Improvement Project of Local Government Engineering Department. Now the two questions come - what is service and what is procurement. Service is defined as “Any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything” (Philip Kotler). A wide range of services are offered by providers: Audio-video services, Architectural and Engineering services, Auditing services, Catering and Hospitality services, Cleaning services, Consultancy services in various sectors, Courier and mailing, Conference Services and Event Management, Facility Technical Maintenance, Financial services, transport services, banking services, Gardening, ICT Project Management, ICT Software Development, Insurance, Investment Management, Moving, Storage and Shipping, Printing and Publishing, Printing Supplies, Procurement Services, Project Management, Refurbishing Works, Rental services, Security and Custody services, Training and Staff Development, Travel services and so on. There are five major unique characteristics or classification of services, which are Intangibility, Inseparability, Heterogeneity, Perishability and Non-ownership ([www.entrepreneurshipsecret.com/5-major-characteristics-of-services](http://www.entrepreneurshipsecret.com/5-major-characteristics-of-services)).

These are discussed below:

- Intangibility (or in procurement terms, ‘lack of inspectability’) – A service cannot be measured, weighed, chemically analysed or otherwise inspected before it is purchased, or when assessing satisfaction after purchase.
- Inseparability – Services are produced and consumed at the same time.
- Heterogeneity or variability – Every separate instance of service provision is unique, because the personnel and circumstances are different.
- Perishability (or in procurement terms, “impracticability of storage”) – A service cannot be stored or stockpiled for later use, so the timing of supply is difficult to control.
- Non-ownership (or in procurement terms, “uncertainties in contractual agreements”) – Services do not result in the transfer of ownership of anything, making it difficult to define when a contract for services has been properly fulfilled, and when risk and liability have passed from one party to another.

The challenges existing in service procurement present a strong argument for purchasing to be involved in sourcing services. Service levels, schedules and the basis for charges should be agreed in as much detail as possible before the final agreement is signed. Service management is an

important ingredient in successful service buying. Certain legal and technical considerations must also be addressed in the procurement of services; for example: Indemnity insurance, Confidentiality and protection of intellectual property. Measures of service quality are: Tangibles – Appearance of physical facilities, equipment, personnel, communication. Reliability – Ability to perform the promised service dependably and accurately. Responsiveness – Willingness to help customers and provide prompt service. Assurance – Customer confidence that the service provider will identify with the customer's needs and expectations in relation to ease of access, communication and co-operation. Key Performance Indicators (KPIs) of Service are: KPIs are agreed, specific measures of the performance of a unit or organization, against which progress and performance can be evaluated. KPIs can be drawn up to suit the needs of a particular service contract. Where possible, such goals will be quantitative: that is, numerical or statistical. Some targets, however, will be more qualitative: that is, subjective and pertaining to qualities or attributes that cannot readily be quantified. Techniques of monitoring service levels: Observation and experience:- The performance of service provider observed time to time and from past experience that can be monitored very well. Spot checks and sample testing: There must be some spot checks and also some sample can be tested for the monitoring of service. Business results and indirect indicators: Feedback from the customers. Customers might indicate dissatisfaction with the cleanliness of the premises, late transport deliveries, or lack of courtesy by call center staff. Electronic performance monitoring: The performance of service provider can be monitored by online. Self-assessment by the service provider: Service providers may require reports by their own staff of supervisors. Collaborative performance review: Periodically, information might be gathered and shared by customer and service provider.

Procurement means the purchasing or hiring of Goods, or acquisition of Goods through purchasing and hiring, and the execution of Works and performance of Services by any contractual means. Procurement is a systematic PROCESS. In other words procurement is the complete process of acquiring goods, services and works from suppliers. The procurement process takes into account factors such as the cost over the life of the good or service, and the quality necessary to meet users' requirements. The generic procurement cycle is: 1. Identify the need (Requisition or bill of materials), 2. Define the need (Specification), 3. Develop contract terms, 4. Source the market (Identify potential suppliers), 5. Appraise suppliers, 6. Invite quotations or tenders (Request for quotation (RFQ) or invite to tender, 7. Analyse quotations and select most promising supplier, 8. Negotiate best value, 9. Award the contract, 10. Contract / supplier management (Monitor, review and maintain performance). Service procurement for the project is necessary.

## **1.2 Statement of the Problem**

For the development of our country the role of efficient and effective implementation of different development projects are vital. The implementation of projects directly contributes to the Gross Domestic Product (GDP) of the country. There are so many work forces involved in the projects. Some are in managerial role, some are in supervision role, some are in supporting role, and some are directly working in the projects. The service involvement of the development projects is crucial because they are in the supporting and supervision role. The service procurement i.e. selection of consultants for Large Assignment with Quality and Cost Based Selection (QCBS) needs approximately fifteen month ten months (Consulting Services Manual 2006, The World Bank, page 47). In the Second Rural Transport Improvement Project (RTIP-II) selection of consultants takes fifteen months and for individual consultants it takes around seven months. The project starts at full swing after one year. The achievement of physical and financial progress in the first year of the project is lagging behind. Then in the second year and subsequently next year the lagging are not covered. This lagging is not taken into account by any of the concerned ministries or divisions of the Government. Now we can think what happens in our country Bangladesh for this lagging of projects implementation. It has a negative impact on the development of our country. In the Annual Development Program, huge budget is allocated for the development projects. If the projects are not efficient and effective enough then there is a direct impact on the economy of country. From the very beginning of the development projects the efficient uses of resources and manpower should be ensured. The service procurement should be done before the project starts. When the projects start, they must start with full resources and manpower and support services. If the selection process is easier and less time consuming that will also help the smooth implementation of the projects. The objectives of the research are to identify the challenges and how these challenges can be reduced or remove.

## **1.3 Hypothesis**

The procurement of service is essential for development projects. The procurement of service should be done in an efficient and effective manner. Since the time required for the selection of consultants needs around fifteen month, so the procurement of service can be started one year before the commencement of the project. Generally we see that the project approved means the start of physical works but according to standard project management this perception is not acceptable. According to Project Management Body of Knowledge (PMBOK) before starting the execution of physical works the initiation process and planning process should be done. In general we see in our country that suppose in a project of duration five year the physical works completed twenty percent in every year. In this case we do not consider the project initiation process and

project planning process. So there is no legal support to implement twenty percent work in the first year and also standard project management does not require these. The challenges of service procurement can be identified and proper action then taken for the improvement of the project performance.

#### **1.4 Research Questions**

What are the challenges of service procurement?

How the challenges may be overcome or reduced?

How the compliances of the World Bank and Government rules are met during service procurement?

#### **1.5 Objective of the Research**

There are many challenges in the service procurement. Identify the effect of challenges of service procurement in Second Rural Transport Improvement Project. How the challenges can overcome or reduced?

The specific objectives are:

- To identify the challenges of service procurement.
- To identify how the challenges impact on project implementation.
- To identify how the challenges are reduced.
- To identify time required for service procurement (selection of consultants).
- To identify the recommendations for future project design.

#### **1.6 Research Methodology**

The research is carried out on the challenges of service procurement at the Second Rural Transport Improvement Project (RTIP-II) of Local Government Engineering Department (LGED). The RTIP-II project is a World Bank financed project. The selection of consultants or service procurement in RTIP-II is carried out by following the Guidelines - Selection and Employment of Consultants of The World Bank. To fulfill the objectives the study is mainly based on primary data. Secondary sources of data are also collected. In this regard for primary data the study mainly used survey method. Then secondary sources were also used to support the survey data. To collect the survey data a questionnaire should be designed. Different research and evidences need to be consulted for secondary sources of data. In this connection different project documents, reports are

also used for secondary sources. The study is not only limited to formal survey and questionnaire but also used some informal interview and personal experience. The questionnaire was formulated and finalized on the basis of a pilot survey conducted among the officials of RTIP-II who are involved in the service procurement. The survey questionnaire was filled up by 30 respondents (Project Management Unit of RTIP-II, Member of POC/ PEC, Suppliers or Consultants, Procurement Unit of LGED, World Bank financed another project Municipal Governance Support Project and Japan International Cooperation Agency financed Northern Bangladesh Integrated Development Project and United States Agency for International Development assisted Bangladesh Agricultural Infrastructure Development Program). So, the opinions of different categories of procurement personnel are reflected in the study.

### **1.7 Limitation of the study**

There is a time frame provided by the University authority to complete the dissertation work. The study was completed within the stipulated time. The study focuses on the procurement of services at Second Rural Transport Improvement Project (RTIP-II) of Local Government Engineering Department (LGED). In the study the challenges of service procurement of RTIP-II is found out. How the challenges impact on the projects implementation were identified. The time required for selection of consultants was researched into. How the time required for selection of consultants may be reduced to a justified time, so that the project can start in full swing from the very beginning was established. How the challenges of service procurement can be overcome was also recommended.

### **1.8 Outline of the Dissertation**

#### **Chapter 1: Introduction**

Background of the study, Statement of the Problem, Hypothesis, Research questions, Objective of the Research, Research Methodology, Limitation of the study and Outline of the Dissertation.

#### **Chapter 2: Literature Review**

Service Procurement Background, Methods for Procurement of Intellectual and Professional Services and their Use, Consultant Selection Complexities, Consultant Selection Offline vs Online, Manual Process, Automated Process

#### **Chapter 3: Services Procurement Assessment**

Background, Impact of service procurement on projects

#### **Chapter 4: Findings from the Analysis**

Level of service procurement knowledge of POC and PEC members, Time required for EOI evaluation, Potential causes of delay of EOI evaluation, Short list clearance from the World Bank, time limit for World Bank clearance of short list, Time required for RFP evaluation by the PEC, Potential causes of delay of RFP evaluation, How to improve that the evaluation time can be reduced to justified, Time required for draft contract signing, At least 4 clearances needed from the World Bank for WB assisted projects, Selection of consultants takes on an average 438 days it is justified or not, Logistics and sufficient number of procurement personnel in the PMU, Procurement personnel expertise and competency, Procurement personnel authority, power, accountability and responsibility, Use of e-Procurement will reduce the time for selection of consultants.

#### **Chapter 5: Conclusions and Recommendations**

Conclusions, Recommendations

## **CHAPTER TWO**

### **Literature Review**

#### **2.1 Service Procurement Background**

The Project Management Unit (PMU) is responsible for the selection of consulting firm or individual consultants which means service procurement. Consulting services refers to services of a professional nature provided by consultants using their skills to study, design, organize and manage projects, advise Borrowers, and when required, build their capacity. Consultants offer Borrowers the possibility of more effective and efficient allocation of their resources by providing specialized services for limited amounts of time without any obligation of permanent employment. Consulting services engaged by Borrowers in World Bank funded projects encompass multiple activities and disciplines, including the crafting of sector policies and institutional reforms, specialist advice and integrated solutions, change management and financial advisory services, planning and engineering studies, and architectural design services. Consultants also provide project supervision, social and environmental assessments, technical assistance, and program implementation. Consulting services may vary from simple routine tasks to highly specialized and complex assignments.

Consulting services in World Bank funded projects should satisfy the following requirements:

- Meet high standards of quality.
- Be impartial (that is, delivered by a consultant acting independently from and affiliation, economic or otherwise, that may lead to conflicts of interest).
- Be proposed, awarded, administered, and executed according to the highest ethical standards.

Impartiality, together with creativity, is the most important asset offered by consultants. It allows consultants to study alternatives and recommend solutions, technologies, and products from a range of possible suppliers and contractors in the best interest of the Borrower. Consultant impartiality results from the consultants' independence and freedom from ties or affiliations that could lead them to bias their judgment and advice (Consulting service manual 2006 of the World Bank).

Second Rural Transport Improvement Project (RTIP-II) is a World Bank financed project of Local Government Engineering Department under Local Government Division of Ministry of Local Government, Rural Development and Co-operatives. The project implementation period is November 2012 to April 2018. The project has four major components. Component A: Accessibility Improvement, Component B: Institutional Strengthening, Capacity Building and

Governance Enhancement, Component C: Rural Transport Safety and Component D: Contingent Emergency Response Component.

For smooth implementation of the projects consulting firms and individual consultants are needed. The RTIP-II project starts at November 2012. When project started then the selection process of consultants also started. The selection of consultants needed around fifteen months. Then the project starts at full swing. So there is a delay at the starting year and fund disbursement is very low. Then the PMU faces many challenges. Because without selecting the consultant, the project works like survey, design, preparation of estimates, preparation of tender documents can not start. Sometimes there arises need to replace consultants.

The Project Management Unit (PMU) of RTIP-II is responsible for implementing the project. For implementation of works smoothly, selecting the consultants is needed. There are five main considerations guide the World Bank policy on the selection process: (a) the need for high quality services, (b) the need for economy and efficiency, (c) the need to give all eligible consultants an opportunity to complete in providing the services financed by the Bank, (d) the Bank's interest in encouraging the development and use of national consultants in its developing member countries, and (e) the need for transparency in the selection process (Consulting service manual 2006 of the World Bank).

## **2.2 Seven methods are followed for selection of consultants under World Bank's guidelines:**

Quality and Cost-Based Selection (QCBS)

Quality Based Selection (QBS)

Selection under a fixed Budget (FBS)

Least Cost Selection (LCS)

Selection Based on Consultant's Qualifications (CQS)

Single Source Selection (SSS)

Commercial Practices (CP)

### **2.2.1 Quality & Cost Based Selection (QCBS)**

Quality and cost Based Selection method is most frequently used for selection of consultants. Here the two points are vital, the first one is the quality of the proposals. The quality of the proposal should be accepted by the client according to the need. The second one is the cost of the service provided by the consultants. This method is very useful when the type of service required is common and not very complex. The scope of work is precisely defined. The terms of references (TOR) are clear and well defined. In this method two envelope system is used. The Technical and

financial proposals are submitted in two separate, sealed envelope. The Technical proposals are opened and evaluated. Those firms who pass the minimum qualifying score, their financial proposals are opened with the presence of their representatives of the firm who wish to attend. The financial proposals and the technical proposal are combined according to the weight provided in the data sheet. The firm who will get the highest combined score will proposed for award. The highest score firm will invited for negotiation. This method is transparent because the financial proposals are publicly opened and there is a limited scope for financial negotiation. This method is appropriate in the cases like Supervision of the construction works, installation of equipment, preparation of bidding documents and detailed design, procurement and inspection services.

### **2.2.2 Quality Based Selection (QBS)**

Quality Based Selection is mainly based on the quality without any initial consideration of cost. The highest ranked technical proposal firm is invited for negotiate its financial proposal and then the contract signed. This method is appropriate in the cases: Complex master plans, pre-feasibility and feasibility studies, design of large and complex projects, Complex sector and multidisciplinary studies of a complex nature etc.

### **2.2.3 Selection under a Fixed Budget (SFB)**

Selection under a Fixed Budget totally based on that the firm who obtain the highest ranking in the technical proposal within the budget. The firm will provide the quality of service because of the cost constraints. The budget should not be changed. So within the budget the consulting firm should provide their service.

### **2.2.4 Least Cost Selection (LCS)**

In the Least Cost Selection method the technical proposals are evaluated. Firms getting minimum technical score are selected. Then the financial proposals are opened in public. The firm who submit the lowest price is then selected. This method is appropriate for small assignments of a standard nature of work, well-established practices and standards exists, standard accounting or simple audits, Engineering designs or supervision of very simple projects, repetitive operations, maintenance work, routine works etc.

### **2.2.5 Selection Based on Consultant's Qualifications (CQS)**

In the Selection Based on Consultant's Qualification method the client requests for the expression of interest (EOI) and qualified information related to the experience and competence of the consulting firms for the assignment. The client evaluates the EOI and prepares a short list. Then selects the firm with the best qualifications and references and also those who confirm to be

willing to submit a proposal if they are selected. The selected firm is sent the RFP with Terms of References and asked to submit technical and financial proposals. Then invited to negotiate the contract if the technical proposal is acceptable.

#### **2.2.6 Single Source Selection (SSS)**

Under the Single Source Selection method the consultant is identified already to do the assignment. The consulting organization is only one who has the qualification to or experience to carry out the assignment. The Single Source Selection method is applicable in the cases like: Small contract value, emergency operations following a natural disaster, a financial crisis, continuation of a previous work which performance is good etc.

#### **2.2.7 Commercial Practices**

Sometimes World Bank provide loans to private enterprises or state-owned autonomous commercial enterprises and they need to hire consultants. In this case World Bank recommends to use one of the competitive methods described above specially in the case of large assignment.

Beyond these seven methods the following two methods are discussed according to The Public Procurement Rules 2008.

#### **2.2.8 Selection of Consultants by a Design Contest (DC)**

In this method short listed firms submit their design and then the client is selected the firms. This is useful in the cases like: office headquarters, transportation terminal, monument, research center etc. The winning consultant submit the technical and financial proposals and then evaluation process done.

#### **2.2.9 Selection of Individual Consultants**

Individual consultant is needed by the client when in some cases no team of staff or additional staff required. Consultants may be selected following an EOI advertisement through comparison of qualifications and experience of the candidates who have expressed interest in the assignment or have been approached directly by the Procuring Entity.

### **2.3 The steps of selection process of consultant are:**

Depending on the selection method adopted the process carried out by the borrower includes the following steps (Consulting Services Manual 2006 – The World Bank).

- Preparation of the Terms of Reference (TOR) of the assignment

- Preparation of the cost estimate or budget of the assignment
- Public invitation of consultants ‘Expression of Interests (EOIs)’
- Short listing of consultants
- Preparation and issuance of the Request for Proposal (RFP) to shortlisted consultants
- Preparation and submission of proposals by consultants
- Evaluation of Technical Proposals – quality evaluation
- Opening and evaluation of Financial proposals – cost evaluation
- Combined quality and cost evaluation to select the winning proposal (under QCBS)
- Negotiations and signing of the contract between the Borrower and the consultants

The selection of consultants is a time consuming process. The process should be done properly and follow the Rule and Donor guidelines. After selection is completed, the consultant team starts work. The consultants work with the project team and support the core project team. The consultant team generally comprises of the Team Leader, Procurement Specialist, Environmental Specialist, Structural Design Engineer, Pavement Design Engineer, Quality Control Specialist, Field Engineers etc. The consultants provide different type of deliverables. During selection process a lot of problems will arise and those should be addressed.

#### **2.4 Consultant Selection Complexities**

The project consultant selection is one of the most important decisions an owner or client makes in the life of the project. The success of any project often depends on obtaining the most able, experienced, and dependable expertise available at an appropriate cost. The impact of selecting the consultants on the overall success of the project should never be underestimated. A consultant, be it an organization or an individual, can make substantial contributions to sustainable development, undertaking work that is performed less effectively by government entities, and by increasing the industry’s maturity and effectiveness. The best project results are achieved when there is a true professional relationship of trust between the client and the consultant who is expected to make sound, objective decisions. However, selection of proper consultant is not an easy process. The selection of consultants requires the purchaser to assess a supplier’s ability to deliver consultancy, which is an intangible product. Furthermore, the consultancy cannot be realistically tested before purchase and the level of associated complexity becomes obvious because of the buyer’s limited experience with purchasing such a service. The main problem in purchasing consultancy services appears to relate to the purchaser’s difficulty in judging what is being offered. Besides these problems, the multifaceted nature of the consultancy services and the potential impact of the consultancy services on the reputation of the organization also contribute to making the purchase

of the consultancy services to be riskier. To combat these complexities, the purchasers and suppliers need to be aware of two aspects. First, they need to be aware of the issues purchasers are concerned about when assessing a consultant. Second, both purchasers and suppliers need to be aware of their style of interaction and its impact on purchase decision (International Handbook of Public Procurement, Edited by Khi V. Thai).

## **2.5 Consultant Selection Offline vs Online**

The selection of consultants may be done by the World Bank's E-procurement solution. The transparent nature of the Internet truly makes evaluation and award stages of the selection process effective. The E-procurement infrastructure and procedures can facilitate the achievement of the principles of efficiency, transparency, service quality, and compliance in the consultant selection process required by the public sector procurement regulations. Furthermore, E-procurement has the potential to promote operating efficiency in public sector procurement and provide a huge amount of cost savings. On the basis of the QCBS method of consultant selection, the various stages of the manual process and the E-procurement solution for the selection of consultants has the capability to automate these stages of the manual process and the resulting automated process is more effective in terms of speed and cycle time.

## **2.6 Manual Process**

The selection of consulting firm or individual consultant done manually. The online system is not introduced for selection of consultants in public sector in our country. The steps of manual process listed below (International Handbook of Public Procurement by Khi V. Thai, Chapter 25, World Bank, E-Procurement for the Selection of Consultants Challenges and Lessons Learned):

- Preparation of the TOR
- Preparation of cost estimate and the budget
- Advertising
- Preparation of the short list of consultants
- Preparation and issuance of the RFP
- Receipt of proposals
- Evaluation of technical proposals: consideration of quality
- Public opening of financial proposals
- Evaluation of financial proposal
- Final evaluation of quality and cost
- Negotiations and award of the contract to the selected firm

## 2.7 Automated Process

The World Bank's E-Procurement solution consist of a Web-based application that integrates E-commerce, procurement workflow, and document management in a single solution. The proposed E-procurement solution for the selection of consultants was intended to manage complex procurements in a decentralized, international environment, increasing transparency, enhancing compliance efforts and improving institutional memory (as data is systematically collected during the process). The steps of automated process listed below (International Handbook of Public Procurement by Khi V. Thai, Chapter 25, World Bank, E-Procurement for the Selection of Consultants Challenges and Lessons Learned):

- Preparation
- Notification
- Sourcing
- Evaluation
- Award
- Post award

The World Bank's E-procurement solution for the selection of consultants is seen as a way to address some of these concerns and suggestions. The transparent nature of the Internet truly makes evaluation and award stages of the selection process effective. The E-procurement infrastructure and procedures can facilitate the achievement of the principles of efficiency, transparency, service quality, and compliance in the consultant selection process required by the public sector procurement regulations. Furthermore, E-procurement has the potential to promote operating efficiency in public sector procurement and provide significant cost savings.

In the manual process the number of stages are more in compared with automated process. The various stages of the manual process – the E-procurement solution for the selection of consultants has the capability to automate these stages of the manual process and the resulting automated process in more effective in terms of speed and cycle time.

The online process of selection of consultants is less time consuming, effective, efficient and transparent that the offline process. In our country the online selection of consultant in public procurement has not yet started. But in future it will be introduced.

In the above context we can comment on the Oracle Services Procurement. By using on-line system Oracle overcomes the problem arising in service procurement. Oracle controls service spending, maximize preferred supplier savings, create and enforce better agreements, enforce

preferred supplier use in every requisition, lower processing costs through supplier collaboration, eliminate over-billing and over-runs, ensure service delivery and compliance with deliverable tracking, set policies for services spending approval, create visibility into services spending, measure supplier and contingent labour performance and achieve a complete view of services and good spending (*Oracle Service Procurement*). Most of the organizations whether it is Public or Private use information system (IS), particularly the internet. Both the sectors are IT enabled. Many organizations are using e-Procurement. In public sector we are using the e-Procurement for works only. We are not using the e-Procurement system for Goods and Services. So government needs to evaluate the success of e-Procurement. The IS literature considers a system to be effective or successful when it encompasses return on investment, elevates organizational productivity, improves outcome quality, increases user satisfaction and sustains use by organizational employees (*International Journal of Research in Business and Technology*).

## **CHAPTER THREE**

### **Service Procurement Assessment**

#### **3.1 Background**

The history of procurement in Bangladesh is very long. Before the Public Procurement Act 2006, the legal regime of public procurement in Bangladesh was based on procedures and practices that date back to the British era. The two forms 2098 and 2911 have been used for the purpose of public procurement processing since our independence. Form 2908 and form 2911 have been introduced in the month of August 1929 and November 1929 respectively. The compilation of General Financial Rules (GFR) outlined broad financial principles of public procurement in Bangladesh. Before introducing Public Procurement Regulations 2003, documents / procedures like The Manual of Office Procedure (purchase) compiled by the Department of Supply and Inspections as the guide for purchasing goods, The Public Works Department's Code as the guide for procuring goods, and The Economic Relations Division's Guidelines on procurement for donor assisted development projects were in existence. Government of Bangladesh initiated Country Procurement Assessment in collaboration with the World Bank in 1998. Country Procurement Assessment Report (CPAR) prepared by the World Bank, in agreement with the Government of Bangladesh (GoB), identified several deficiencies in the procurement system of the Government of Bangladesh: absence of sound legal framework governing public sector procurement, complex bureaucratic procedure causing delay, lack of adequate professional competence of staff to manage public procurement, poor quality of bidding documents and bid evaluation in general, ineffective administration of contracts, absence of adequate mechanism for ensuring transparency and accountability. CPAR key recommendations are: Set up a Public Procurement Policy Unit. Issue Public Procurement Rules. Streamline Procurement Process and Financial Delegation. Develop Procurement Management Capacity. Publish Contract Awards. Introduce Appeal Procedures. The first "Public Procurement Reform Project" with the assistance of International Development Association (IDA) was initiated in 2002 with the objectives to contribute to improved performance in public procurement through introduction of measurement system. Under that reform project, uniform and standard regulation with the title "The Public Procurement Regulations 2003 (PPR 2003)" was introduced. The PPR 2003 was effective in September 2003 by replacing all other public procurement guidelines, procedures and practices that existed at that time. Later, based on the experience gained through the implementation of regulations and valuable inputs from all stakeholders, a draft Public Procurement Act was formulated. The Act was passed by National Parliament having the title "The Public Procurement Act 2006" (PPA 2006). According to the power conferred to the government under section 70 of the PPA 2006, the government has framed "The Public Procurement Rules 2008" (PPR 2008) on the 24th January 2008 and made effective both PPA 2006 and PPR 2008 from 31st January 2008 through a notification. PPA 2006 and PPR

2008 are used for the procurement of Goods, Works and Services in the public procurement in Bangladesh. Before the introduction of Rules the procurement function was done based on the forms which was very difficult. Now we are follow the rules in the procurement function. Subsequently the training of the procurement personnel all over the country is done by the Central Procurement Technical Unit (CPTU), under Implementation Monitoring and Evaluation Division (IMED) of Ministry of planning, Government of Bangladesh. Some amendments are made in the PPA 2006 and PPR 2008. It is a normal practice that when a new act or rules come into force by using the all level of stakeholders involved, if there any necessity or need then the government can do the amendments for benefit of peoples.

### **3.2 Impact of service procurement on projects**

The projects must have a definite start and end. The projects should be start in time. The resources of the projects should be available during implementation. The financial resources should be allotted in time and utilization should be done efficiently and effectively. Project personnel should be also available from the very beginning of the project. The consulting service quality should be very high so that a more effective, efficient and economic use of resources should be ensured. The consultant whether it is individual or firm, should provide the best possible service to the client through their best possible use of resources. Through their quality activities the consultants take part in the higher and sustainable socioeconomic growth in the country. The consultant also provide their service in the point of view that they should maintain the quality management or quality assurance in their activities such as in the planning, design, work implementing time to achieve desired standards of service. No one can think that these are additional or optional activities but it is the integral part of their job. In the selection process of the consultant, three points should be always in mind 1. Quality, Efficiency and Economy, 2. Fair competition and 3. Transparency. The quality of consulting services, comprising technical quality and impartiality, is the main objective of any selection process. Quality of services is driven by the need to provide for the best possible use of resources. Consultants provide clients with the best possible advice by translating creativity and knowledge advances into innovative, efficient and cost-effective services. Consultants must select from their available professional staff those best suited for the success of their assignment and adopt efficient team organization and work plans to balance the quality and the cost of their services. The selection of consultants should be fair and impartial. All eligible consultants should be in the list and the evaluation must be carried out strictly with the guidelines. There should not any unfair advantages to any consultants or make onerous demands on consultants, such as denying sufficient time to prepare proposals or requesting unduly large proposals and drawn out proposal validity period. Competition should take place for any assignment whenever it can add value to the outcome of the selection process. Now for transparency of selection process, a transparent selection process increases the quality of

competition by creating an environment of trust between the parties involved, reducing perceived and actual business risks for consultants and minimizing the occurrence of complaints and claims. Transparency dispels the suspicion of unfairness in the selection process. The Request for Proposals (RFP) documents should be clear so that invited consultants understand them correctly. A credible selection process must also be confidential. Its integrity would become questionable if consultants or unauthorized others were given access to confidential information related to the selection process itself. Except as otherwise permitted under the guidelines, no information relating to the evaluation of proposals and recommendation of award should be disclosed to the consultants or other persons not officially involved in the process until the successful consultant is informed of the award of contract. The Quality, Efficiency, Fair competition and Transparency are ensured by the activities of concern stakeholders.

## CHAPTER FOUR

### Findings from the Analysis

The study was focused to identify the challenges of service procurement in the World Bank financed project on the basis of a case study of a running project namely Second Rural Transport Improvement Project of Local Government Engineering Department. The study is based on mainly the primary data. The questionnaire for survey method was designed. Then the piloting of the survey questionnaire was done. After that the survey questionnaire was finalized. The survey was done among different officials of LGED, consultants, other departments. Opinions of 30 respondents were collected among LGED different projects, RTIP-II, Municipal Governance Services Project (MGSP), Northern Bangladesh Integrated Development Project (NOBIDEP), Bangladesh Agricultural Infrastructure Development Program (BAIDP), Procurement Unit of LGED, Other departments and consultants (**Table 4.1**). There were 17 questions in the questionnaire on the basis of consultant selection issues related. The open questions were free opinions of services challenges issues and Project Management Unit capacity related. (**Sample Questionnaire attached**)

**Table 4.1: Respondent**

Category	RTIP-2	MGSP	NOBIDEP	BAIDP	Others	Sub-total
Project personnel DPD/XEN/Sr. AE/AE	5	2	3	2		12
Member POC/PEC					5	5
Procurement Unit of LGED					2	2
Consultants / Independent Consultant					8	8
Other Department /Ministry					2	2
World Bank					1	1
<b>Total</b>	<b>5</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>18</b>	<b>30</b>

#### 4.1 Respondent

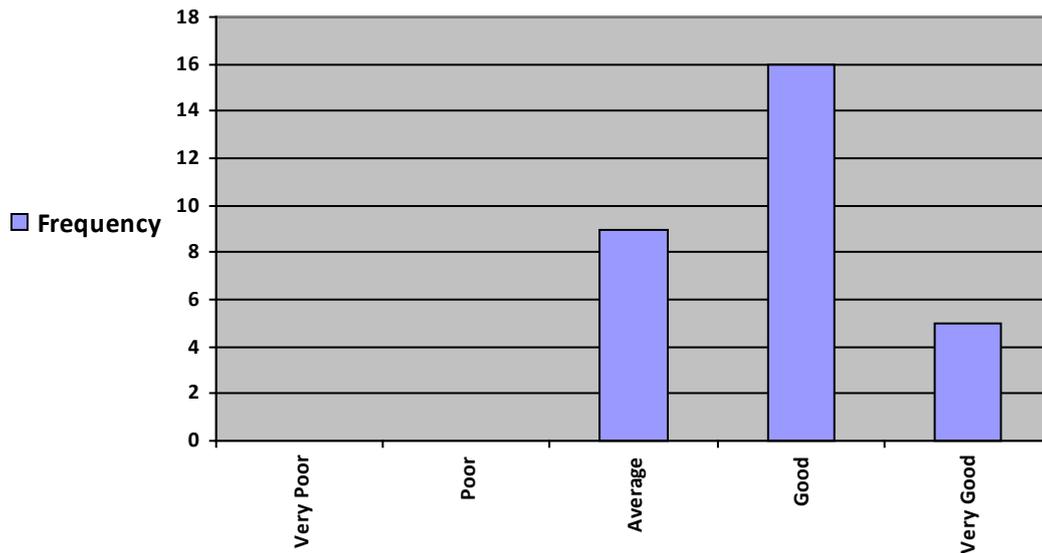
For the survey 30 samples are selected. Among them 19 are from LGED (2 from Procurement Unit of LGED, 5 from World Bank assisted Second Rural Transport Improvement Project-RTIP2, 2 from World Bank assisted Municipal Governance Support Project-MGSP, 3 from Japan International Cooperative Agency-JICA assisted Northern Bangladesh Integrated Development Project-NOBIDEP, 2 from United States Agency for International Development-USAID assisted Bangladesh Agricultural Infrastructure Development Project-BAIDP, 5 from POC/PEC members of LGED). Here it is to be mentioned that all projects have the service procurement activities. 11 from others (1 from World Bank, 2 from other Department/ ministry; 1 from Bangladesh Water Development Board and 1 from Roads and Highways Department, 8 from Consulting firm). Beside this top level consultants from LGED, World Bank were interviewed. In total, 6 persons are interviewed.

#### 4.2 Level of service procurement knowledge of POC and PEC members

The Proposal Opening Committee members and the Proposal Evaluation Committee members are the key person. The PEC members should actively participate in the evaluation process. If the PEC members do not have sufficient knowledge, they cannot actively participate in the PEC meeting. From the information gathered by the survey questionnaire (Table 4.2 and Figure 4.2) it is found that around seventy percent of POC and PEC members have Good and Very Good knowledge about service procurement. Thirty percent have Average knowledge and none have very poor and poor knowledge.

**Table 4.2** Level of service procurement knowledge

	Frequency	Percent
Very Poor	0	0
Poor	0	0
Average	9	30.00
Good	16	53.33
Very Good	5	16.67
Total Respondent	30	100



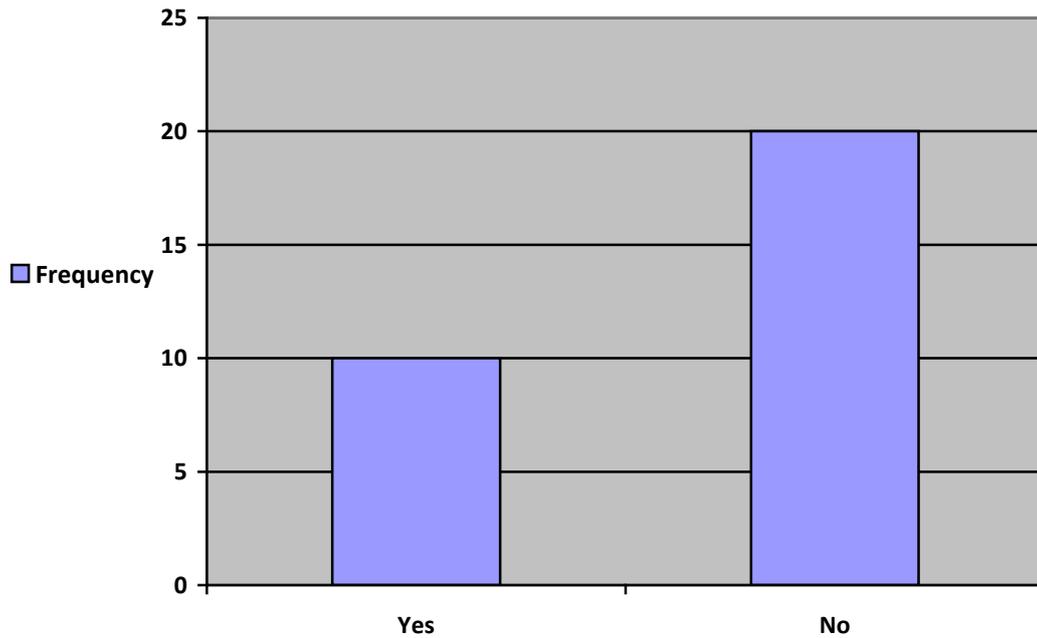
**Figure 4.2:** Level of service procurement knowledge

#### 4.3 Time required for EOI evaluation

The secondary data was collected from selection of consultants in the Second Rural Transport Improvement Project (RTIP-2). There are three different consultant firms, firm 1: Design and Supervision Consultant-D&SC, Firm 2: IT-ICT and Firm 3: Integrated Performance Audit Consultant-IPAC. The evaluation of Express of Interest (EOI) takes on an average 38 days. According to the Public Procurement Rules 2008 it should be 21 days. From 30 respondent 10 answered Yes and 20 answered No (Table 4.3 and Figure 4.3). From interview some reasons are found for the delay. PEC may have needed additional clarification. Arranging PEC meeting may have taken time as one or more members may have been unavailable.

**Table 4.3:** Time required for EOI evaluation

	Frequency	Percent
Yes	10	33.33
No	20	66.67
Total Respondent	30	100



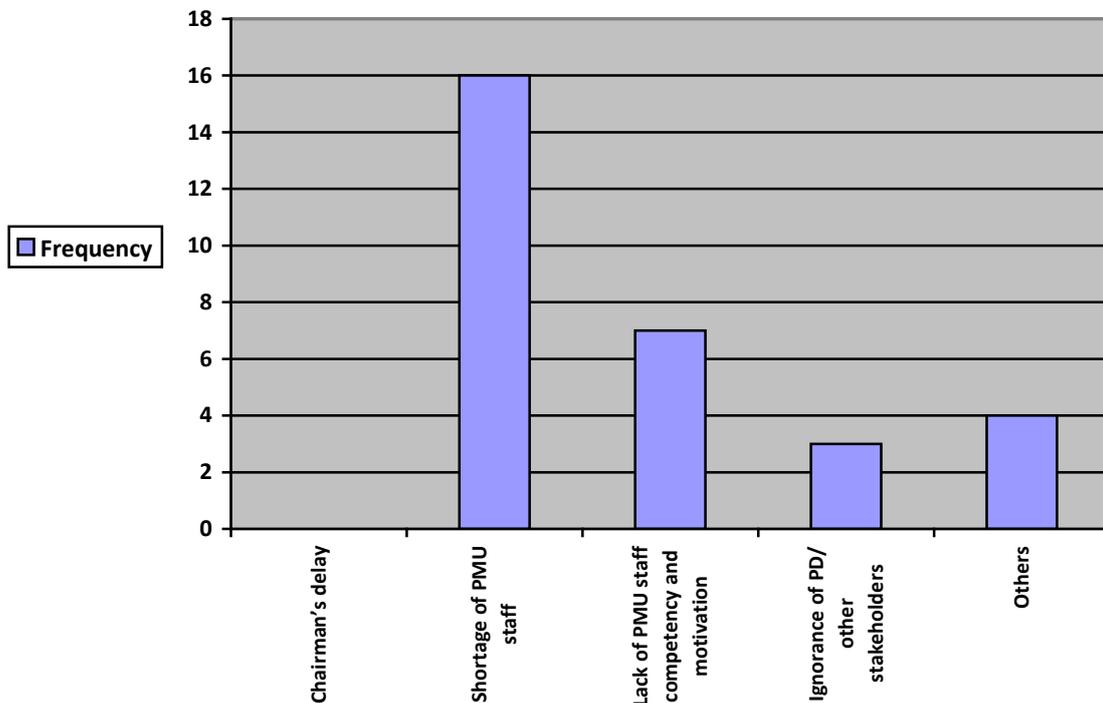
**Figure 4.3:** Time required for EOI evaluation

#### 4.4 Potential causes of delay of EOI evaluation

Why does the evaluation of Expression of Interest (EOI) take more time? What are the potential causes? There are some causes identified i.e. Chairman delay, Shortage of PMU staff, Lack of PMU staff competency and motivation, Ignorance of PD/ other stakeholders or any other causes (Table 4.4 and Figure 4.4). More than fifty percent respondent suggested that there is a lack of PMU staff. Around twenty five per cent respondents opined that lack of PMU staff competency and motivation. So from the finding this may be concluded that the PMU staff must be sufficient and they should be competent enough and well motivated to do the service procurement functions.

**Table 4.4:** Potential causes of delay of EOI evaluation

	Frequency	Percent
Chairman's delay	0	0
Shortage of PMU staff	16	53.33
Lack of PMU staff competency and motivation	7	23.33
Ignorance of PD/ other stakeholders	3	10.00
Others	4	13.33
Total Respondent	30	100



**Figure 4.4:** Potential causes of delay of EOI evaluation

**4.5 Short list clearance from the World Bank takes on an average 58 days, it is justified or not**

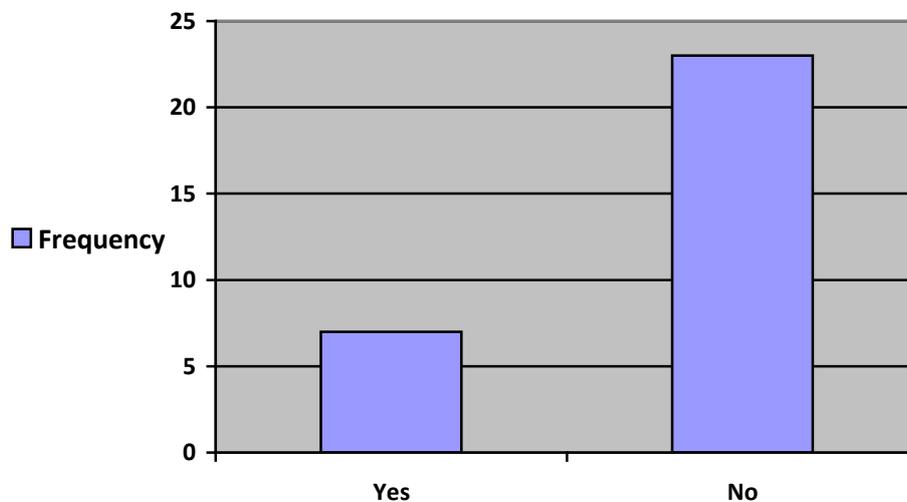
After evaluation of the Expression of Interest the short list is prepared. In the World Bank assisted projects, the clearance for short list was needed from the World Bank. The time taken for short list clearance is very unusual. When asked whether it is justified or not, 23 respondents answered No (seventy seven percent) and 7 respondent answered Yes (twenty three percent) (Table 4.5 and

Figure 4.5). The interviewed persons also opined that the time taken for short list clearance was not justified. There are series of reasons for the delay.

- There may have been too many back and forth as firms may have been on World Bank black or red list.
- World Bank may not have agreed to agency's evaluation of EOIs.
- Due to misunderstanding qualified firms may not have been short listed and WB raised objections.
- Firms with proven record of poor performance may have been short listed and WB does not agree to that.
- Certain reviews e.g. procurement, technical, procedural may have taken time but the World Bank should have sent an interim response (except objections or clarification requests).

**Table 4.5:** Short list clearance from the World Bank

	Frequency	Percent
Yes	7	23.33
No	23	76.67
Total Respondent	30	100



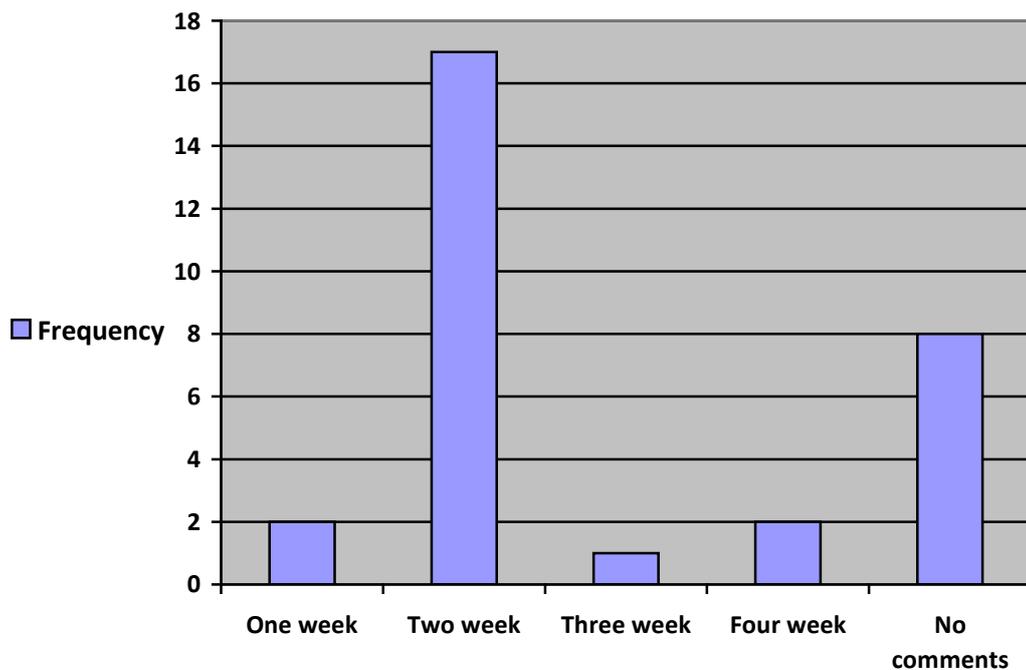
**Figure 4.5:** Short list clearance from the World Bank

#### 4.6 What should be the time limit for World Bank clearance of Short List

Though there are many reasons for the delay of short list clearance from the World Bank, around fifty seven (17 respondent) opined that two week time is okay for short list clearance. Two respondents answered one week, one respondent answered three weeks, two respondents answered four weeks and eight respondents have no comments. Though there are many reasons for delay and the World Bank deals with so many projects the time should not be more than two weeks for clearance.

**Table 4.6:** time limit for World Bank clearance of Short list

	Frequency	Percent
One week	2	6.67
Two week	17	56.67
Three week	1	3.33
Four week	2	6.67
No comments	8	26.67
Total Respondent	30	100



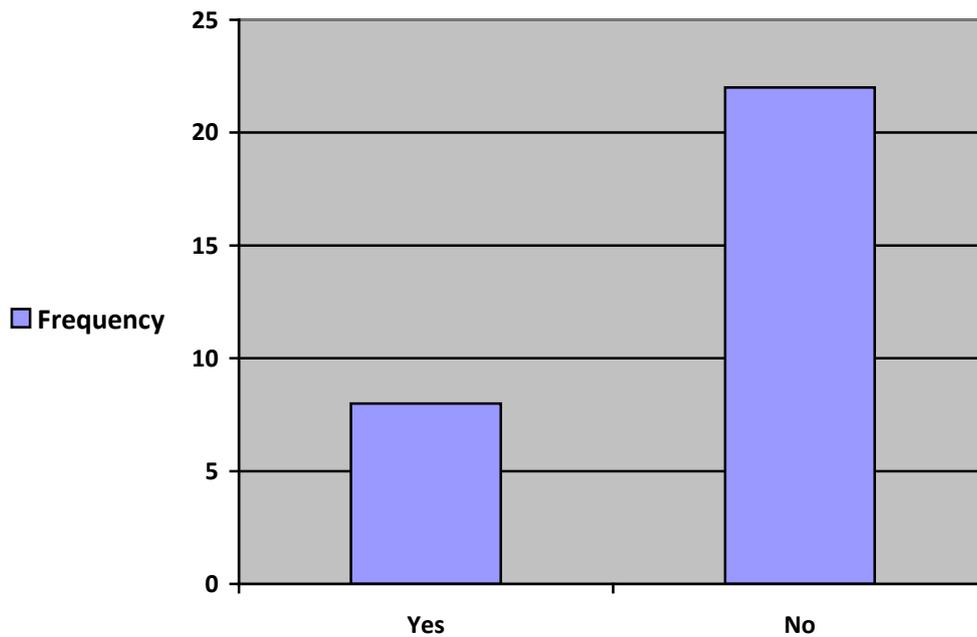
**Figure 4.6:** time limit for World Bank clearance of Short list

#### 4.7 Time required for RFP evaluation by the PEC

Time required for the evaluation of Request for Proposal (RFP) is around 50 days. According to the Public Procurement Rules 2008 the time limit for evaluation is 21 days. From the study it is seen that 22 respondents (around seventy three percent) opined that the time taken for evaluation is not justified. From interview some reasons were found for the delay. PEC may have needed additional clarification. Arranging PEC meeting may have taken time as one or more members may have been unavailable. There may have been complaints, and this needed to be clarified to the World Bank. The evaluation is not completed in one meeting. In most of the cases two or three meeting are required for evaluation, so time elapse for evaluation in this way. But in the rule why 21 days provided for evaluation, this should be thought through and followed by the evaluation members. When evaluation is delayed, then a question arises regarding transparency.

**Table 4.7:** Time required for RFP evaluation

	Frequency	Percent
Yes	8	26.67
No	22	73.33
Total Respondent	30	100



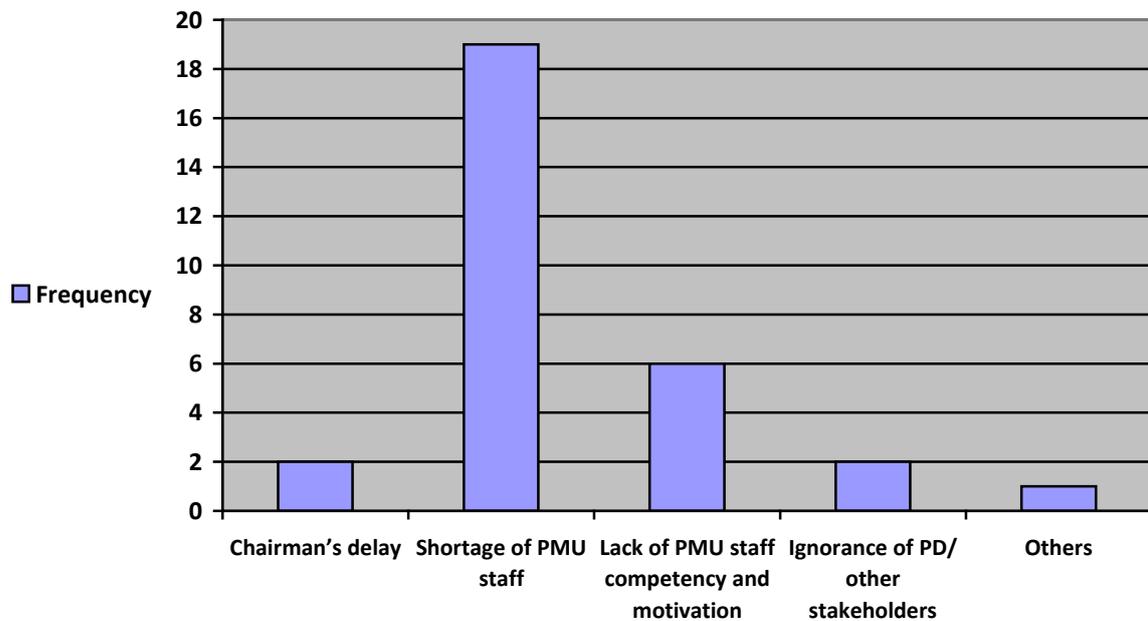
**Figure 4.7:** Time required for RFP evaluation

#### 4.8 Potential causes of delay of RFP evaluation

Potential causes for the delay of Request for Proposal (RFP) evaluation are identified (Table 4.8 and Figure 4.8). Around sixty three percent (19 respondents) attributed this to the shortage of Project Management Unit (PMU) staff. Twenty percent (6 respondents) opined that there is lack of competency and motivation of PMU staff. Here one respondent opined that there is lack of coordination among the stakeholders involved in the evaluation process.

**Table 4.8:** Potential causes of delay of RFP evaluation

	Frequency	Percent
Chairman's delay	2	6.67
Shortage of PMU staff	19	63.33
Lack of PMU staff competency and motivation	6	20.00
Ignorance of PD/ other stakeholders	2	6.67
Others	1	3.33
Total Respondent	30	100



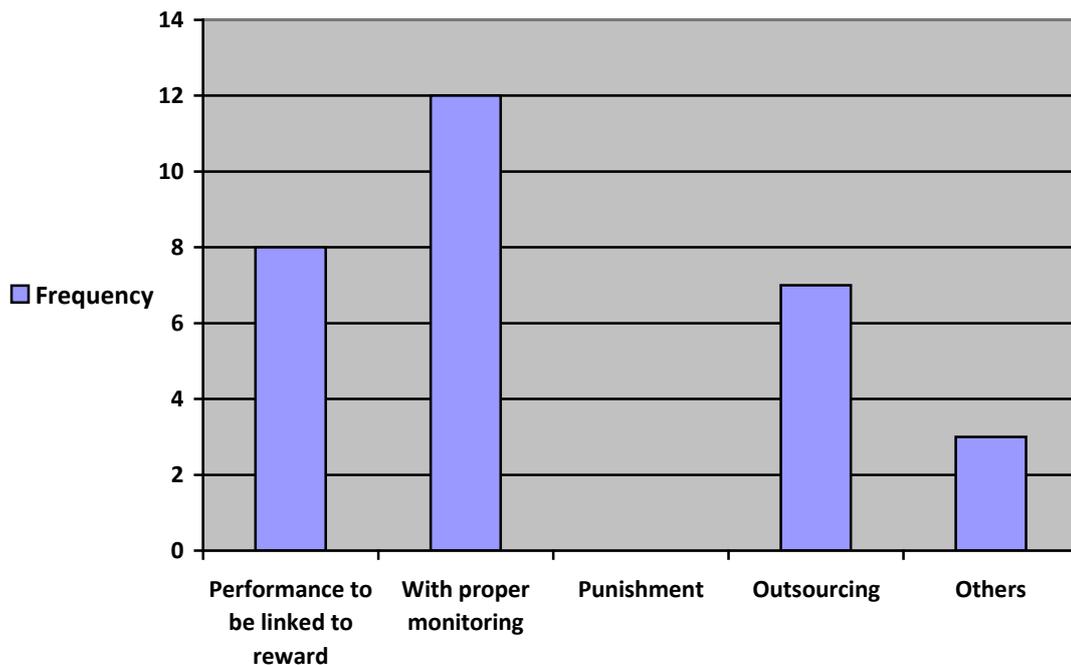
**Figure 4.8:** Potential causes of delay of RFP evaluation

#### 4.9 How to reduce the time required for evaluation

The time required for evaluation of the RFP should be reduced to justified time. This can be improved by providing some means. Around 27 percent (8 respondents) opined that performance can be rewarded, Forty percent (12 respondents) suggested that this can be done by proper monitoring; twenty three percent (7 respondents) opined that this can be done by outsourcing and ten percent (3 respondents) opined that this can be done by other means i.e. quick decision.

**Table 4.9:** Evaluation time reduced

	Frequency	Percent
Performance to be linked to reward	8	26.67
With proper monitoring	12	40.00
Punishment	0	0
Outsourcing	7	23.33
Others	3	10.00
Total Respondent	30	100



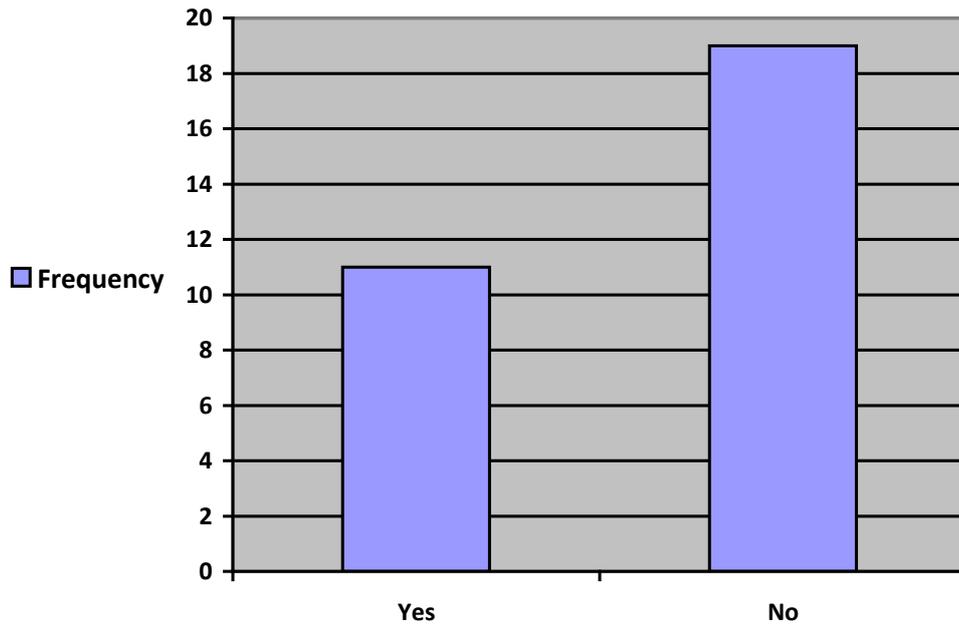
**Figure 4.9:** Evaluation time reduced

#### 4.10 Time required for Draft Contract signing

After negotiation process the signing of draft contract need, on an average, 19 days. Thirty seven percent (11 respondents) opined that it is justified and sixty three percent (19 respondents) opined that it is not justified because there should be no causes of delay for the draft contract signing. In this stage of draft contract signing why 19 days needed for draft contract signing, is not justified. Here the time elapse is unnecessary for draft contract signing. The draft contract is signed between the client and the consulting firm. In this case there is no valid reason for delay. It can be signed within three days. Maximum 5 to 7 days required for draft contract signing.

**Table 4.10:** Time required for Draft Contract signing

	Frequency	Percent
Yes	11	36.67
No	19	63.33
Total Respondent	30	100



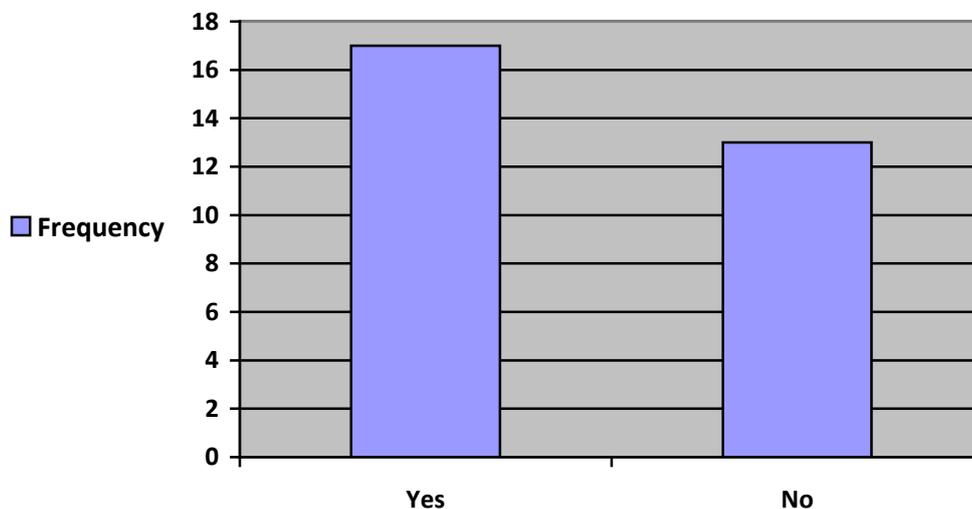
**Figure 4.10:** Time required for Draft Contract signing

**4.11 At least 4 clearances [TOR, Short list, Technical evaluation and Draft contract agreement] needed from World Bank for WB assisted projects, it is justified or not**

In the World Bank assisted projects, there are four clearances needed: Terms of References (TOR), short list, technical evaluation and draft contract agreement. It may be reduced to two. In this connection fifty seven percent (17 respondents) opined that it can be reduced to two and forty seven percent (13 respondents) opined that four clearances from the World Bank are required. When asked which step can be eliminated, one respondent opined that TOR and technical evaluation, six respondents opined that short list and draft contract agreement, one respondent opined that TOR and short list and four respondents mentioned other steps can be taken. If the clearances are not provided by the World Bank, there arises a lot of problems. There should be a question mark about the selection process. Actually TOR, Short list, Technical evaluation and Draft contract agreement are the main and critical stage of selection process. If there is a problem with the TOR in any points and the TOR was not cleared by the World Bank and in this situation all the following steps are done, so what will be the situation? If it is not accepted by the World Bank then critical situation arises. Though around forty three percent says four clearances can be reduced to two but in the view of transparency it is not justified.

**Table 4.11:** Clearance for the World Bank

	Frequency	Percent
Yes	17	56.67
No	13	43.33
Total Respondent	30	100



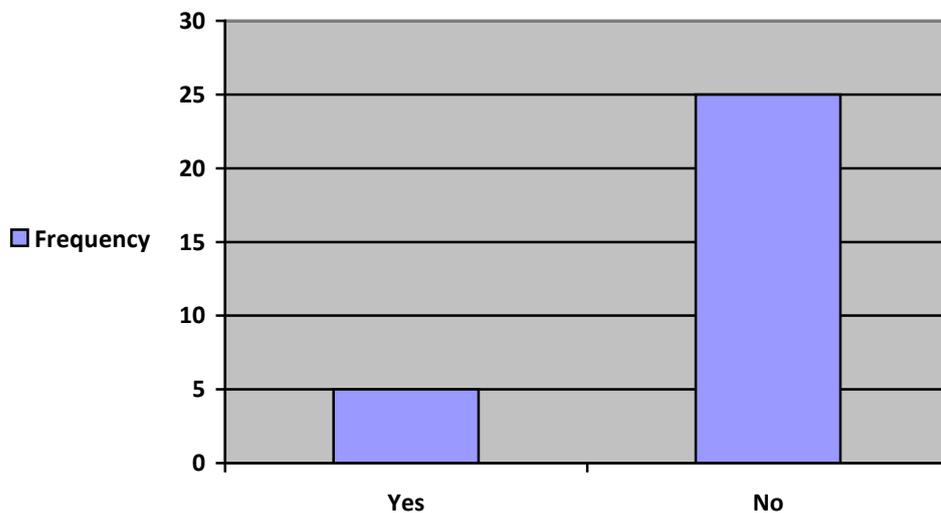
**Figure 4.11:** Clearance for the World Bank

#### 4.12 Selection of consultants takes on an average 438 days, it is justified or not

There are so many steps and processes needed for the selection of consultants. Selection of consultants takes on an average 438 days (around fifteen months). Seventeen percent (5 respondents) opined that it is justified and eighty three percent (25 respondents) opined that it is not justified. The time required for selection of consultants is one of the major challenges. In every stage and processes the time schedule should be strictly followed. In this connection the stakeholder involved should be aware of their roles, responsibility, accountability, power and authority. If fifteen months are needed for the selection of consultants how the project can perform better and how the laggings can be covered are major concerns. This will affect the progress and performance of the project. This challenge should be overcome. We know according to standard project management and Project Management Body of Knowledge (PMBOK), there are five process group and ten knowledge area and total 47 processes. The process groups are Initiating, Planning, Executing, Monitoring & Controlling, and Closing. Generally we think project approval means starting of physical works i.e. in the executing phase. But before these the initiating and planning stages of work should be done. So, suppose in a five year duration project, the first year physical work target should not be one fifth of total physical works, this may be five percent or ten percent because of time should be given in the planning stage. So, the selection of consultants can be done before starting of physical works.

**Table 4.12:** Time required for selection of consultants

	Frequency	Percent
Yes	5	16.67
No	25	83.33
Total Respondent	30	100



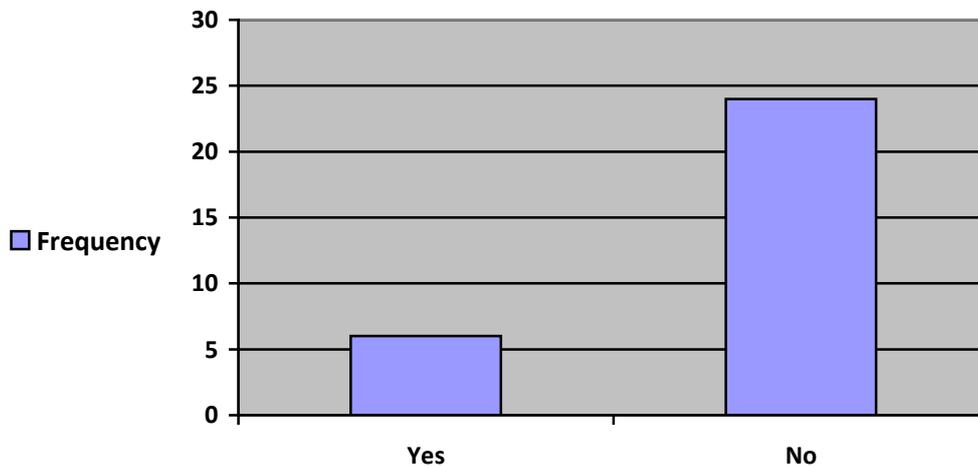
**Figure 4.12:** Time required for selection of consultants

#### 4.13 Logistics and sufficient number of procurement personnel in the PMU

The logistics in the project management unit should be sufficient and there should be sufficient number of procurement personnel. Eighty percent (24 respondents) says that there should not be sufficient number of procurement personnel and logistics in the PMU and twenty percent (6 respondents) opined that yes. We know that logistics means time-related positioning of resources and also the process of ensuring right product at right time right quantity in right place. So, for smooth procurement function the logistics should be ensured and there must be sufficient procurement personnel.

**Table 4.13:** Logistics and procurement personnel in the PMU

	Frequency	Percent
Yes	6	20.00
No	24	80.00
Total Respondent	30	100



**Figure 4.13:** Logistics and procurement personnel in the PMU

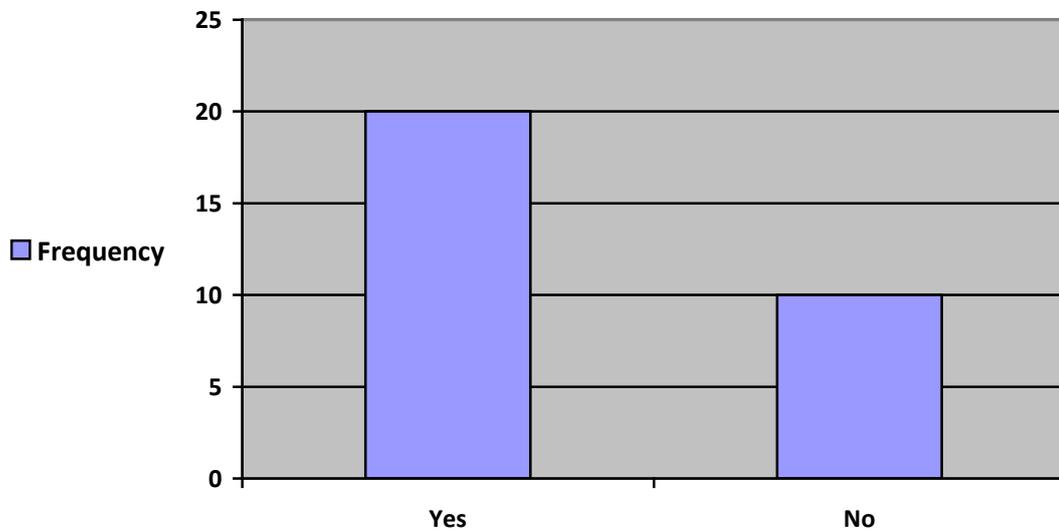
#### 4.14 Procurement personnel expertise and competency

For the better performance for selection of consultants it is inevitable that the procurement personnel should have expertise and competency. Sixty seven percent (20 respondents) opined that the procurement personnel have sufficient expertise and competency and thirty three percent (10 respondents) opined that there is not sufficient expertise and competency of the procurement personnel. Majority person says that the procurement personnel have sufficient expertise but they

are not able to deliver their outcome in time. They are competence enough but fail to provide their outcome. This is a huge challenge to have sufficient expertise and competent procurement personnel but outcome delay. In this case we have to think further, e.g. the team function. The procurement personnel team should work as a team, where every member actively participates in the procurement function.

**Table 4.14:** Procurement personnel expertise and competency

	Frequency	Percent
Yes	20	66.67
No	10	33.33
Total Respondent	30	100



**Figure 4.14:** Procurement personnel expertise and competency

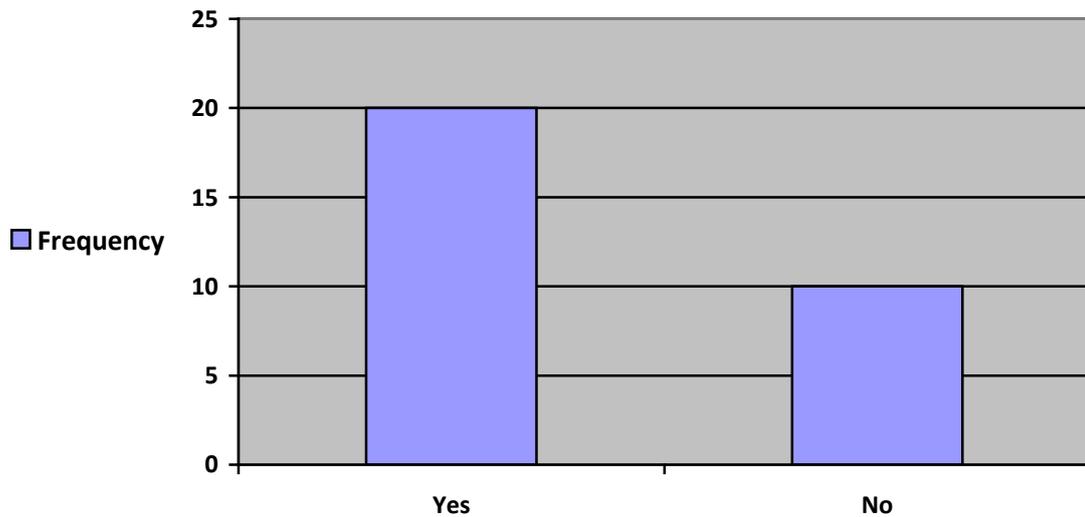
#### 4.15 Procurement personnel authority, power, accountability and responsibility

Authority, power, accountability and responsibility of the Procurement Personnel are very important for performance. Sixty seven percent (20 respondents) opined yes and thirty three percent (10 respondents) opined no. The procurement personnel should have the authority to do the function in time. If the procurement personnel think that they have no authority then they are not encouraged to do the procurement function. The procurement personnel are also responsible for their duties and also they are accountable for their function. Procurement personnel do their duties with some power. There should be a balance of authority, power, accountability and

responsibility during procurement function. Finally we say proper authority should be provided to the procurement personnel, they should have responsibility, they must be accountable enough for their function and they should have justified power during procurement function.

**Table 4.15:** Procurement personnel authority, power, accountability and responsibility

	Frequency	Percent
Yes	20	66.67
No	10	33.33
Total Respondent	30	100



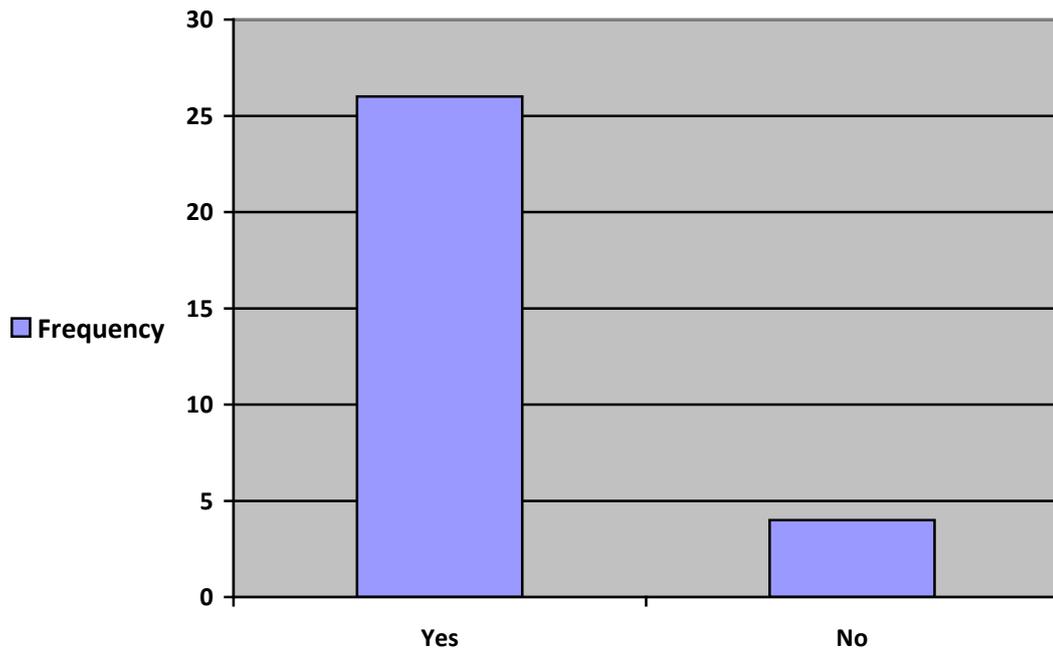
**Figure 4.15:** Procurement personnel authority, power, accountability and responsibility

#### 4.16 Use of e-Procurement will reduce the time for selection of consultants

The main challenge is the time requirement for the selection of consultants. If we use e-Procurement then the time required should be reduced. Eighty seven percent (26 respondents) opined yes and thirteen percent (4 respondents) opined no. If the e-Procurement is introduced then the transparency, competition will be increased and finally the time required for selection of consultants will reduced significantly. The accountability of the responsible persons who involve in the selection process also are ensured because there is an obligation to evaluate the proposals in time and as well as the decision should provide promptly.

**Table 4.16:** Impact of e-Procurement

	Frequency	Percent
Yes	26	86.67
No	4	13.33
Total Respondent	30	100



**Figure 4.16:** Impact of e-Procurement

## CHAPTER FIVE

### Conclusions and Recommendations

#### 5.1 Conclusions

During procurement of service there are many tasks to perform. The clearance of Terms of References (TOR) for the consultants, Preparation of a cost estimate for the consultants, preparation of the Expression of Interests (EOI), EOI receiving and opening, EOI evaluation, and subsequently the approval of short list firms. World Bank clearance for the short list. Preparation of the Request for proposals (RFP). Issuing the RFP to the short list firms. RFP receiving and opening. Evaluation of the Technical proposals. World Bank clearance for the technical proposals. Approval by the Head of Procuring Entity (HOPE) of the technical proposals. Financial proposal opening and evaluation. Combined evaluation of technical and financial proposal. Negotiation with the highest scoring firm. Signing of draft contract. World Bank draft contract clearance. Then sending to Ministry for approval. Then signing of contract. Simply it seems to be that for the above items of task, huge time should be needed. But if the guidelines of the World Bank are followed and the persons involve in the selection process do their job efficiently and effectively the selection become easier.

From the data analysis we see that seventy percent of the persons have good and very good knowledge when they are evaluating the EOI but the time taken was very long which is unjustified. **So the challenge is that knowledgeable persons are not functioning well. If the persons involved in the evaluation process actively participate and do the functions timely then the challenges are overcome or reduced.** Sometimes there are causes of delay. When there is question of clearance of short list from the World Bank, the time taken was around two months which is unjustified. These should be of maximum two weeks. **So the challenge is the clearance from the World Bank.** RFP evaluation takes around fifty days which is not justified. There are several causes of delay for the evaluation: more than sixty percent said that there is a shortage of Project Management Unit (PMU) staff. The other causes are the delay of the chairman of the PEC, lack of PMU staff competency and motivation, ignorance of Project Director, lack of coordination among stakeholder involve. **So the challenge is inadequacy of support staff in the PMU.** The time required for selection of consultants is around fifteen months which is not justified. It should be approximately six months. **So the challenge is the huge time need for selection of consultants.** The time can be managed by following the strategy that “In order to ensure a non-discriminatory treatment of all tenderers, time limits should be fixed in such a way so as to be easily understood by all economic operators, irrespective of their Member State. The Commission does not accept that time limits be determined by referring to national holidays, or to the publication of the notice in the national or local press, because this would put foreign tenderers at a disadvantage” (*Public Procurement in the European Union*). So, in case of international

consultants, we can follow the above rules. There is a shortage of logistics in the PMU. The procurement personnel in the PMU have sufficient expertise and competency. The PMU personnel have the authority, power, accountability and responsibility. The e-Procurement of service should be introduced and it will reduce the selection time. **So the challenge is the absence of the e-Procurement system of services.** After selection of consultants when they perform there is a common problem of replacement of key personnel because of leaving the job, going for better position etc. **So the challenge is the replacement of consultant personnel.**

## **5.2 Recommendations**

The identified challenges of service procurement should be addressed. By the following ways the challenges can be reduced or overcome.

- Strengthening of Project Management Unit (PMU)
- Strictly following the government rules and the World Bank guidelines
- Role of World Bank regarding clearances of service procurement
- Special focus on evaluation process of service procurement
- Role of Procurement Unit of LGED in service procurement
- Automation in service procurement

### **5.2.1 Strengthening of Project Management Unit (PMU)**

The project management unit (PMU) plays the key role to implement the project in all respect. For timely service procurement the PMU should take all necessary steps. The procurement personnel in the PMU have sufficient knowledge, i.e. good and very good knowledge regarding service procurement. And also the procurement personnel in the PMU have sufficient expertise and competency. The procurement personnel in the PMU have the authority, power, accountability and responsibility. But in the service procurement not done timely, i.e. huge time required which is not justified. One point here is to be mentioned that the logistics are not sufficient in the PMU and not sufficient staff in the PMU. This is not a valid reason that for only due to the shortage of PMU staff and logistics the service procurement functions are not done timely. The term authority, power, accountability and responsibility are very much interrelated during any function. There should be a balance of authority and power. The procurement personnel should have the authority and also some power during their procurement duties. In this situation the procurement personnel should be responsible in their duties and the accountability should be ensured, otherwise there must be a lack of transparency. For strengthening of PMU staff the team work should function

well. We know if one member of a team does not work properly that affects the whole work. The leadership of the PMU is very much vital: the leader can guide the team for better performance. The communication within the PMU is also crucial. If the upward, downward and horizontal communication are well in the PMU the performance also better. The coordination between the PMU staff and other stakeholder can be increased. Thus the capacity building of PMU staff can be done which ultimately strengthens the PMU.

### **5.2.2 Strictly following the government rules and the World Bank guidelines**

We follow the government public procurement rules 2008 during service procurement. In the World Bank assisted projects, we follow the World Bank guidelines. Sometimes we are not able to do the procurement function timely. Suppose the evaluation should be done within 21 days. If it is not done within 21 days then what will happen, what is the punishment etc. are not mentioned in the Act or Rules. So, we can say this is the weakness of the Act or Rules. The procurement personnel take the advantage of this weakness. So, in some points the rules or guidelines can be reviewed. Moreover the procurement personnel should strictly follow the rules or guidelines. During project implementation the standard project management strategy should be followed.

### **5.2.3 Role of World Bank regarding clearances of service procurement**

In the World Bank assisted project the clearance or No Objection is needed from the World Bank at different stages of work regarding service procurement, such as Terms of Reference (TOR), Short list, Technical evaluation, draft contract agreement etc. There are many stages of work during service procurement but at the all stages do not need World Bank clearance: only at the key stage or critical stages do they need clearance. The terms of reference (TOR) should be according to the need of the client, and should follow the World Bank guideline in the World Bank assisted projects. The short list and the technical evaluation should be properly done. The draft contract should be properly done. Here the question is time taken by the World Bank for clearances. For the above four clearances around one fourth of total time, i.e. around four month is required by the World Bank. Though there are many reasons for delay, most notably several times of back and forth because of some clarification or some correction. This time should be minimized. For four clearances maximum eight weeks time is justified. So the role of World Bank regarding clearances should be in line with the World Bank guidelines.

### **5.2.4 Special focus on evaluation process of service procurement**

The evaluation process of the service procurement is the main task. The evaluation of the Expression of Interest (EOI) and the evaluation of the Request for Proposal (RFP), i. e Technical proposal and the Financial proposal. The EOI evaluation takes around one and half month and the

RFP evaluation takes around two month. So in total three and half months are needed for evaluation process. We know that in the evaluation process the outside members are involved. The proposal evaluation committee (PEC) cannot conclude the meeting in one sitting. There are several points for clarification to all the PEC members. But in the government rules or in the World Bank guidelines there is a time limit for completing the evaluation. So, all members of PEC should be very much aware of the time frame of evaluation. The time required for evaluation should be minimized. The time for EOI evaluation is three weeks and for RFP evaluation it is also three weeks; in total six weeks. So, there should be special focus in the evaluation process.

#### **5.2.5 Role of Procurement Unit of LGED in service procurement**

There is a Procurement Unit in the LGED, headed by a Superintending Engineer (SE). The procurement unit can do the function of selection of consultants for the projects. The persons working in the procurement unit are very expert and competent enough to do the service procurement compare to PMU staff or units staff. According to the volume of work the number of persons can be increased and properly trained. Thus the challenges can be minimized.

#### **5.2.6 Automation in service procurement**

In the service procurement, i.e. selection of consulting firm or consultants, now we are using manual process. The time required in this process in very high. If we are able to use the e-procurement system or online system then the time required for service procurement can be reduced significantly. Because now there is no alternative to the Information Technology (IT) based online system. In the automation process the activities or task can be done sequentially and there is an obligation to the persons involved in the service procurement function in the system to do their function timely. The total contract management system in the service procurement can also be done through the internet. In this process the transparency and accountability of the procurement personnel can also be ensured.

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## **Appendices**

- I The time required (days) for selecting the consultants under RTIP-II
- II The time required (dates) for selecting the consultants under RTIP-II
- III The time required (days) for selecting the Individual consultant under RTIP-II
- IV The time required (dates) for selecting the Individual consultant under RTIP-II
- V Survey Questionnaire

## Appendix I

### The time required (days) for selecting the consultants under RTIP-II:

Sl. No.	Steps	PPR 2008 Provisions	The World Bank Provisions	Consultant Firm 1 (D&SC)	Consultant Firm 2 (IT-ICT-MIS)	Consultant Firm 3 (IPAC)
1	World Bank Clearance of TOR			0	0	0
2	Estimate Approval			16	20	34
3	EOI Publish			4	5	4
4	EOI Receive / Opening	21		25	26	29
5	PEC Meeting (1 <sup>st</sup> )			48	9	15
6	PEC Meeting (2 <sup>nd</sup> )	21		12	21	7
7	Evaluation of EOI / Approval of short list	7		1	6	4
8	Send WB for Clearance			1	1	1
9	WB Review for short list			160		
10	WB Clearance			41	41	91
11	Issue of RFP			1	2	1
12	RFP Receive / Opening	42		42	74	57
13	PEC Meeting (1 <sup>st</sup> )			30	6	18
14	PEC Meeting (Evaluation of Technical Proposal)	21		6	48	16
15	Evaluation of Technical Proposal (Final / Approval)			8	6	9
16	Send WB for Clearance			41	10	3
17	WB Clearance			3	62	14
18	HOPE Approval			4	1	1
19	Financial Proposal Open and Evaluation			2	8	6
20	Negotiation			29	14	46
21	Signing of draft contract Agreement			21	17	18
22	Send WB for Draft Contract Clearance			1	1	1
23	WB Clearance			39	38	20
24	Send to Ministry for Approval			6	8	6
25	Ministry Approval/ CCGP Approval	14		31	27	40
26	Contract Sign			6	19	9
	<b>Total (days)</b>			<b>578</b>	<b>382</b>	<b>356</b>

## Appendix II

### The time required (dates) for selecting the consultants under RTIP-II:

Sl. No.	Steps	PPR 2008 Provisions	The World Bank Provisions	Consultant Firm 1 (D&SC)	Consultant Firm 2 (IT-ICT-MIS)	Consultant Firm 3 (IPAC)
1	World Bank Clearance of TOR			15.12.2011	09.08.2013	13.06.2013
2	Estimate Approval			01.01.2012	29.08.2013	17.07.2013
3	EOI Publish			05.01.2012	04.09.2013	21.07.2013
4	EOI Receive / Opening	21		30.01.2012	30.09.2013	19.08.2013
5	PEC Meeting (1 <sup>st</sup> )			19.03.2012	09.10.2013	04.09.2013
6	PEC Meeting (2 <sup>nd</sup> )	21		01.04.2012	30.10.2013	11.09.2013
7	Evaluation of EOI / Approval of short list	7		01.04.2012	06.11.2013	15.09.2013
8	Send WB for Clearance			01.04.2012	06.11.2013	15.09.2013
9	WB Review for short list			10.09.2012		
10	WB Clearance			21.10.2012	16.12.2013	16.12.2013
11	Issue of RFP			21.10.2012	18.12.2013	17.12.2013
12	RFP Receive / Opening	42		29.11.2012	02.04.2014	12.02.2014
13	PEC Meeting			01.01.2013	08.04.2014	02.03.2014
14	PEC Meeting (Evaluation of Technical Proposal)	21		07.01.2013	26.05.2014	18.03.2014
15	Evaluation of Technical Proposal (Final / Approval)			15.01.2013	01.06.2014	27.03.2014
16	Send WB for Clearance			25.02.2013	11.06.2014	30.03.2014
17	WB Clearance			28.02.2013	13.08.2014	14.04.2014
18	HOPE Approval			28.03.2013	13.08.2014	14.04.2014
19	Financial Proposal Open and Evaluation			06.03.2013	21.08.201	20.04.2014
20	Negotiation			03.04.2013	04.09.2014	05.06.2014
21	Signing of draft contract Agreement			24.04.2013	21.09.2014	23.06.2014
22	Send WB for Draft Contract Clearance			24.04.2013	21.09.2014	26.06.2014
23	WB Clearance			03.06.2013	29.10.2014	16.07.2014
24	Send to Ministry for Approval			09.06.2013	06.11.2014	22.07.2014
25	Ministry Approval/ CCGP Approval	14		10.07.2013	02.12.2014	31.08.2014
26	Contract Sign			16.07.2013	21.12.2014	09.09.2014

### Appendix III

#### The time required (days) for selecting the Individual consultant under RTIP-II:

Sl. No.	Steps	PPR 2008 Provisions	The World Bank Provisions	Individual Consultant (RWT specialist)
1	TOR preparation			15
2	World Bank Clearance of TOR			16
3	Estimate Approval			7
4	EOI Publish			1
5	EOI Receive / Opening	21		33
6	PEC Meeting (1 <sup>st</sup> )			28
7	PEC Meeting (2 <sup>nd</sup> )	21		6
8	Evaluation of EOI / Approval of short list	7		1
9	Send WB for Clearance			1
10	WB Clearance			3
11	Negotiation			6
12	Signing of draft contract Agreement			14
13	Send WB for Draft Contract Clearance			6
14	WB Clearance			55
15	Contract Sign			11
	Total			203

## Appendix IV

### The time required (dates) for selecting the Individual consultant under RTIP-II:

S1 No.	Steps	PPR 2008 Provisions	The World Bank Provisions	Individual Consultant (RWT specialist)
1	TOR preparation			15.10.2013
2	World Bank Clearance of TOR			31.10.2013
3	Estimate Approval			07.11.2013
4	EOI Publish			07.11.2013
5	EOI Receive / Opening			09.12.2013
6	PEC Meeting (1 <sup>st</sup> )			06.01.2014
7	PEC Meeting (2 <sup>nd</sup> )			12.01.2014
8	Evaluation of EOI / Approval of short list			12.01.2014
9	Send WB for Clearance			13.01.2014
10	WB Clearance			16.01.2014
11	Negotiation			22.01.2014
12	Signing of draft contract Agreement			05.02.2014
13	Send WB for Draft Contract Clearance			11.02.2014
14	WB Clearance			07.04.2014
15	Contract Sign			18.05.2014

BRAC Institute of Governance and Development (BIGD)

BRAC University

**Survey Questionnaire**

**Research Topic: Challenges of Service Procurement – A Case Study at the Second Rural Transport Improvement Project of Local Government Engineering Department.**

This is a survey questionnaire to identify potential challenges to service procurement of World Bank assisted project at LGED in general and that of for RTIP-II in particular. This is a part of the academic requirement for the degree of Masters of Procurement and Supply Management (MPSM) at the BRAC Institute of Governance and Development (BIGD), BRAC University. Your honest response is very much valuable to the researcher. The researcher assures that the information provided by you will be kept confidential and it will be used only for academic purpose.

**Section 1: Personal Information**

a) Name (optional):

Please tick marks one from the following alternatives:

b) How long have you been involved in the procurement activities?

<10 years,	10 -15 years,	15-20 years	>20 years,	..... years
------------	---------------	-------------	------------	-------------

c) How long have you been involved in the service procurement activities?

<10 years,	10 -15 years,	15-20 years	>20 years,	..... years
------------	---------------	-------------	------------	-------------

d) Where do you work for now?

LGED	WB	Ministry/Other department	Outsourced Organization	Other (PI specify)
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**Section 2: Consultant selection Issues**

1. To what extent do you think that the POC and PEC members have sufficient knowledge about service procurement processing according to PPR-2008?

Very Poor	Poor	Average	Good	Very Good.
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2. EOI evaluation takes on an average 38 days, do you think it is justified?

Yes/ No.

3. If no, what are the potential causes?

- A. Chairman’s delay
- B. Shortage of PMU staff
- C. lack of PMU staff’s competency and motivation

D. Ignorance of PD/ other stakeholders

E. Others (Please specify):

4. To get clearance on the short list from the World Bank takes on an average 58 days, do you think it is justified?

Yes/No

5. If no, does the WB should have a time limit?

Yes/No

If yes, how long it should be: One Week/ Two Week/ Three Week/ Four Weeks.

6. RFP open to evaluation takes 50 days on an average; do you think it is justified?

Yes / No

7. If no, what are the potential causes of delay? [Can tick one or more]

A. Chairman's delay

B. Shortage of PMU staff

C. lack of PMU staff's competency and motivation

D. Ignorance of PD/ other stakeholders

E. Others (Please specify):

8. How to improve? [Can tick one or more]

A. Performance to be linked to reward

B. With proper monitoring

C. Punishment

D. Outsourcing

E. Others (please specify)

9. Draft Contract signing need on an average 19 days, do you think it is justified?

Yes / No

10. In WB assisted service procurement at least 4 clearances [TOR, Short list, Technical evaluation, and draft contract agreement] needed, do you think it can be reduced to 2.

A. Yes/No

B. Others[Please specify]:

11. If yes, which step can be eliminated?

A. TOR and Technical Evaluation

B. Short list and draft contract agreement

C. TOR and short list

D. Others [Please specify]:.....

E.

12. Selection of consultants need on an average 438 days, do you think it is justified?

Yes / No

**Section 3: Project Management Unit’s Capacity, Capability Issues**

13. Do you think that sufficient procurement personnel in the PMU and logistics also sufficient?

Yes / No

14. Do you think that the procurement personnel in the PMU have sufficient expertise and competency?

Yes / No

15. Do you think that the procurement personnel in the PMU have the authority, power and accountability and responsibility?

Yes / No

16. Do you think that the e-Procurement of service will reduce the time to selection of consultants?

Yes/ No

**Section 4: Other Issues and comments**

17. From your point of view what are the challenges of service procurement?

	Challenges	Remedy [if possible]
1		
2		
3		
4		
5		

(Thanking you for your cooperation)

(Md. Rayhan Shiddique, Student ID 13282009, BIGD, BRAC University, Dhaka, Bangladesh)



### Questionnaire Survey

Category	RTIP-2	MGSP	NOBIDEP	BAIDP	Others	Sub-total
Project personnel DPD/XEN/Sr. AE/AE	5	2	3	2		12
Member POC/PEC					5	5
Procurement Unit of LGED					2	2
Consultants / Independent Consultant					8	8
Other Department /Ministry					2	2
World Bank					1	1
<b>Total</b>	<b>5</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>18</b>	<b>30</b>

### Interview

	RTIP-2	MGSP	NOBIDEP	
LGED	PEC Chairperson / Member Secretary			
Development Partners	Sr. Procurement Specialist- WB			
Outsourced organization	Organization Head			
Consultant	Team Leader			
<b>Total</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>6</b>