

IMPACT MEASUREMENT OF PROCUREMENT POST REVIEW AND RISK MITIGATION: AN ANALYSIS OF WB FUNDED PROJECTS IN BANGLADESH

**DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE
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Subject: Submission of Dissertation Paper for MPSM Degree

Dear Sir,

I am very much delighted to submit my dissertation paper titled to “**Impact Measurement of Procurement Post Review and Risk Mitigation: An Analysis of WB Funded Projects, Bangladesh**” which was assigned to me to prepare as the partial requirement of the degree of Master of Procurement and Supply Management (MPSM).

This study is new in this area but occurs frequently in development partners’ funded projects including donor funded projects. I had the honour to work in this area and to explore procurement post review as a vital tool/ instrument in public procurement to minimize risk by relying on third party review. Your direct guidance, supervision and advice helped me a lot to research on it and prepare the paper. I shall remember this for long time.

I hope that you will be kind enough to accept this work for evaluation and consider the requirement of the degree.

With best regards,

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DECLARATION

I, Md. Bazlul Kadir, solemnly declare that the dissertation paper prepared for the partial requirement of the degree for Master of Procurement and Supply Management (MPSM) is my own work and this has not been copied from any reports that are mentioned in various section of the paper. The analysis is completely of my own analysis and recommendation. However, the data are taken from the reports of the World Bank Procurement Post Review carried out in FY11, FY12 and FY13.

This paper has not been used in any other purpose other than the purpose of this degree. This is not a confidential paper but the data used in this paper cannot be used in any commercial transaction/ business other than academic purpose.

I wish and support them who are interested in carrying out the study further in developing better tools for risk mitigation in public procurement.

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EXECUTIVE SUMMARY

There has been a strategic shift in corporate policy about procurement in the last few decades in private sector as well as public sector throughout the world. Once procurement was considered important only in the manufacturing organizations and it was treated as a clerical activity. With great effort of procurement professional organizations and procurement professionals, it has been increasingly treated as a strategic unit with top level representation in company's board or public sector bodies. Most countries do not have specific procurement laws rather procurement is carried out through treasury rules. Most fund of the annual development program is spent through procurement of goods, works and services and the major fund providers to the development programs are the development partners in addition to government's own fund. Procurement professionals handle large chunk of money in the procurement by selecting vendors, contractors and consultants. So, the procurement professionals may have temptation to gain personal benefits from procurement. This embraces high risk in procurement. In order to minimize the procurement risk and ensure integrity, the development partners review procurement process at various stages. The review is carried out by various tools – such as prior review, implementation supervision, and post review, etc. No one tool is perfectly matched for all procurements considering the procurement principles – economy, efficiency, fairness and transparency, value for money, and equal opportunity to the competing firms. Depending on the threshold value the development partner like the World Bank (WB) uses prior review and post review tools. The basic objective of this study is to analyze the effectiveness of the procurement post review tool in mitigating procurement risks.

In this analysis, we choose projects and its contracts funded by the WB in Bangladesh as sample. The study is based on the secondary data received from the WB procurement post review reports carried out in the last three years (FY11, FY12 and FY13). However, all projects and contracts carried out in procurement post review by the WB in the above three years are not considered here all together. The projects for this analysis are considered as follows: (i) reviewed consecutively for three years, (ii) reviewed consecutively for at least two years, (iii) reviewed first time or gap between the years are not considered. But all contracts under the selected

project are considered as sample. The reason is to see the impact of procurement post review on the agency and the reliance on it. The WB reviewed 13, 14 and 25 projects in FY11, FY12 and FY13 respectively. The number of contracts in those years was 174, 110 and 308. We consider 12 projects among them and all contracts under them. The sample includes goods, works, and consulting contracts and contracts under ICB, NCB, Shopping, Fixed budget, Least cost, and Individual consultant selection methods.

The data were taken from the reports of the WB and the analysis was carried out from various angles to identify the benefits and bottlenecks of the procurement post review and to assess the effectiveness of the tool as most appropriate instrument to mitigating procurement risk. The deficiencies or deviations identified in the procurement post review process are categorized as major or minor in the fields of bidding process, evaluation and award, contract management and physical inspection. The deviations are analyzed in accordance with procurement types (i.e. goods, works, consulting and non-consulting) and procurement methods (i.e. ICB, NCB, Shopping, QCBS, Fixed budget, Least cost, Individual consultant selection). The deviations are also analyzed in the fields of PIU capacity, procurement process and contract administration/management. Observations are analyzed each project wise. Deviations are analyzed in category-wise. Observations/ deviations are analyzed and compared across the procurement type, the procurement method, the year, the projects, and the fields. Analysis is also carried out in contract number and contract value in monetary terms (BDT). All the efforts are taken to find the effect of the procurement post review in the procurement process.

After analyzing the data in different areas, the research findings are:

- (1) Over a three-year period, the number of observations per contract reviewed has been reduced significantly from 2.43 (FY11) to 0.76 (FY13) with frequency of annual review. The trend of reduction is almost linear in characteristic.
- (2) The number of observations regarding major deviations has been reduced from 36% (FY11) to 13% (FY13) almost linearly over the period.
- (3) The number of observations regarding minor deviations has also been reduced from 55% (FY11) to 34% (FY13).

- (4) The number of types of observations has been reduced significantly from 28 (FY11) to 14 (FY13), exactly 50%.
- (5) The number of types of most common observations has been reduced from 16 (FY11) to 6 (FY13) over the three-year period.

The above observations indicate that through procurement post review the number of observations in the procurement process can be reduced significantly. Though most projects have excellent performance in reduction of observations either in major or minor nature, yet a few project have failed to achieve the improvement. The cause of such reverse affect could be further studied to know the inherent problems persisting in the implementing agencies. However, the general trend is positive.

Based on that above research findings, we can recommend the followings:

- (1) Frequent procurement post review can help reduce the procurement risk in the implementing agency level significantly.
- (2) The frequency of PPR can be quarterly (in case of very many small contracts) or half yearly to reap the benefits of PPR.
- (3) The PPR can be introduced in government purchase to reduce the procurement risk.
- (4) Agreed actions on findings of PPR should be monitored regularly to improve the situations further.

The following areas can be researched to find out the efficacy of the PPR:

- (1) Whether the procurement post review tool is a superior mechanism to reduce the procurement risk.
- (2) Procurement post review is a very cost-effective tool compared to other risk mitigating tools.
- (3) E-procurement can be used fully to eliminate the procurement post review permanently.

[illegible]

Abbreviations and Acronyms

ADB	:	Asian Development Bank
ADP	:	Annual Development Program
AIPRP	:	Avian Influenza Preparedness and Response Project
BDT	:	Bangladesh Taka
CASE	:	Clear Air Sustainable Environment Project
CPTU	:	Central Procurement Technical Unit
DPS	:	Designated Procurement Specialist
ECRRP	:	Emergency 2007 Cyclone Recovery and Restoration Project
F&C	:	Fraud and Corruption
FY	:	Financial Year/ Fiscal Year
HNPSP	:	Health Nutrition and Population Sector Program
HSDP	:	Health Sector Development Program
ICB	:	International Competitive Bidding
IDA	:	International Development Agency
IFB	:	Invitation for bids
IGS	:	Institute of Governance Study, BRAC University
INT	:	Integrity Vice Presidency
ISP	:	Implementation Support Plan
ISR	:	Implementation Status Report
LD	:	Liquidated Damages
MSP AF	:	Municipal Services Project – Additional Financing
NATP	:	National Agricultural Technology Project
NCB	:	National Competitive Bidding
PAD	:	Project Appraisal Document
PIU/IA	:	Project Implementation Unit/ Implementing Agency
PPR	:	Procurement Post Review
P-RAMS	:	Procurement Risk Assessment and Management System

PRMF	:	Procurement Risk Mitigation Framework
PROMiS	:	Procurement Management Information System
RFP	:	Request for Proposals
RFQ	:	Request for Quotations
RPM	:	Regional Procurement Manager
RTIP	:	Rural Transport Improvement Project
SARPS	:	South Asia Regional Procurement Services Unit
SEQAEP	:	Secondary Education Quality and Access Enhancement Project
SIPP	:	Social Investment Program Project
SPEMP A	:	Deepening MTBF and Financial Accountability Program Project
STEP	:	Skills and Technical Education Project
TTL	:	Task Team Leader
WB	:	The World Bank Group
WMIP	:	Water Management Improvement Project

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Impact Measurement of Procurement Post Review and Risk Mitigation: An Analysis of WB Funded Projects, Bangladesh

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

There has been a strategic shift in corporate policy about procurement in the last few decades in private as well as public sector throughout the world. Once procurement was considered important only in the manufacturing organizations and it was attached either with finance division or operation division as a clerical activity. With great effort of procurement professional organizations (like The Chartered Institute of Purchasing and Supply, UK) and procurement professionals, it has been increasingly treated as a strategic department/ division with top level representation in company's board or public sector bodies. People now understand that one unit of money saving in procurement activity directly contributes to the one unit in the bottom line (i.e. profit) of the company. Mostly in large organizations, there is a separate department of procurement responsible for the total procurement of the organization. Apart from the expenditure in salary and remuneration, distribution of profit to the shareholders and taxes paid to the government; most expenditure (i.e. money outflow) of the organization is done through procurement. It may be the procurement of capital assets including associated spares and consumables, materials for production units, office stationeries and equipment, rental services (such as office building or space, storage or cargo spaces, equipment, etc.), transport services, hiring of services including consulting services, etc. In public sector, about 60% ~ 70% of the annual development program (ADP) of Bangladesh is spent through procurement of goods, works, capacity building, and services including intellectual services for the benefit of the country.

In most countries, procurement is done through treasury rules or delegation of financial authority to different levels of employees working in the organizations. There is no structural format of procurement in order to establish and maintain efficiency, value for money, accountability,

transparency, fairness in the procurement processing. From organizations to organizations it may vary about the procurement processing. However, countries are becoming aware of the importance of procurement in government functionaries and developing procurement rules and regulations to bring accountability and transparency in the procurement functions. For example, Bangladesh enacted public procurement act and rules to bring discipline in public procurement. The guiding principles of the Public Procurement Act 2006 are to ensure transparency and accountability in public procurement and ensure equitable treatment and free and fair competition among the participating bidders in the procurement processing. Similarly, European Union introduced procurement directives which are equally applicable to all member countries of the Union in order to provide transparency and fairness in procurement by each member country to ensure free flow of goods and services across member countries except some restrictions in defense procurement.

Procurement professionals handle a large chunk of money for organization's procurement. They have direct link with the suppliers during the selection process and any repeat order through direct procurement or framework agreement, blanket ordering, etc. They may have temptation to misuse organization's money for their personal benefits. In order to avoid misuse of organization's money, there are prescribed rules, regulations and guidelines regarding procurement of goods, works and services. There are measures taken by the organizations to check and balance against misuse of organization's fund. Whether rules, regulations or guidelines properly followed during any procurement are verified and certified by third party professionals (i.e. external auditors) from time to time. Their positive certification ensures best uses of organization's funds and satisfies the shareholders that the management appointed by them is performing at their best efforts. This could be done through financial audit, procurement audit, forensic audit, technical audit, governance audit, or management audit, etc. Procurement is a sensitive area where establishment of good governance is very important, especially in public expenditure. Minimizing risk in public procurement is part of governance study.

1.2 RATIONALE OF THE STUDY

Significant development activities in the third world countries are primarily dependent on the assistance of the development partners (like, The World Bank (WB), Asian Development Bank

(ADB), Islamic Development Bank (IsDB), etc.) and/or donor agencies (like, CIDA, DfID, JICA, SIDA, USAID, NORAD, KfW, AFD, etc.). They generally provide funds for development activities as well as technical assistance for capacity building, technology development/uses, and/ or reform activities, etc. As their funds are coming from the taxpayers' money, they need to ensure the intended use of those funds while using by the recipient country and their agencies.

In order to ensure transparency, fairness, economy and accountability of using of development partner's funds, each development partner or donor agency has specific procurement rules and regulations (i.e. generally called "Guidelines") which are followed in the procurement of goods, works and services funded by them to any government agency. These uniform guidelines are equally applicable to all member countries of the World Bank except some deviations to accommodate the country specific requirements. The World Bank has "Procurement Guidelines" for procurement of goods, works and non-consulting services and "Consultants' Guidelines" for engaging consultants (either firm or individual) for intellectual services. Similarly, the Asian Development Bank, Islamic Development Bank, Inter-American Development Bank (IADB), African Development Bank (AfDB), and Japanese International Cooperation Agency (JICA), etc. have their specific guidelines for procurement of goods, works and services. When a government agency receives funds from them as loan, credit and/or grant, it has to follow their procurement guidelines¹. In case of loan or credit from the World Bank Group, the government has to repay the loan or credit amount with a longer tenure (about 40 years including 10 years grace period²) and does not require to pay anything in case of grant funds. The credit terms may be different for different development partners.

In most procurement funded by development partners, the agencies are required to engage suppliers, contractors or consultants in order to provide goods, works, and/or services including intellectual services for them. This generates a huge business in the private sector. As the procurement professionals spend a lot of money of the organization, they are highly likely to gain some personal benefits from the procurement processing through maintaining unusual or unlawful relationship with the suppliers/ contractors/ consultants or favoring them in awarding

¹ By Guidelines, we mean both Procurement Guidelines and Consultants' Guidelines

² This is applicable to Bangladesh for WB funds.

the contracts. This entices risks in procurement. Apart from this, there are many risks involved in procurement – such as:

- (a) deriving wrong/ restrictive specifications in procurement requirements, and thereby reducing competition;
- (b) supply/ receipt of low quality/unintended goods, works or services and thereby applying misuse of power in personal gains;
- (c) delay in supplying goods, works or services and thus failure to protecting poor performance;
- (d) violation of provisions of the Guidelines during procurement with respect to fairness, transparency, economy and efficiency; and/or
- (e) violation of provisions of contract terms and conditions during receiving goods, works or services and so on.

In order to mitigate procurement risks in the implementing agencies, the World Bank developed many tools which are used during implementation of projects/programs in member countries. These tools are mainly: (i) prior review of procurement processing in various stages of the procurement; (ii) post review of procurement processing with interval; (iii) procurement risk mitigation framework (PRMF). Similar arrangement in public procurement is PROMiS (procurement management information system).

In case of prior review of procurement contracts for goods, works and services, the WB reviews the procurement documents submitted by the implementing agencies and provides no-objection for further progress of procurement processing at various stages of procurement. The documents reviewed and cleared by the WB are given below:

- (a) Prequalification document/ Request for Expressions of Interest;
- (b) List of prequalified bidders or shortlisted consulting firms;
- (c) Draft bidding document including invitation for bids (IFB) or draft request for proposals (RFP);
- (d) Evaluation report on bids/ proposals (technical and financial);
- (e) Draft contract document (only for consulting services);
- (f) Time extension proposal for bid/proposal validity;
- (g) Complaint document; and

- (h) Contract variation or amendment proposal during execution of contracts.

In case of procurement post review (PPR), the WB generally carries out review of procurement processing at any interval or any time (if required) up to two (2) years after formal project closing date. The WB does not intervene in any stage of the procurement processing conducted by the implementing agencies for procurement below a certain threshold. The WB reviews the following documentation which includes:

- (a) Signed original contract and its amendment(s);
- (b) The bids and the bidding document;
- (c) Evaluation report and the recommendation of award;
- (d) Payment invoices or certificates;
- (e) Certificates for inspection, delivery, completion and acceptance of goods/works;
- (f) Other relevant documents including correspondence between the bidders and the Implementing Agency, if any; and
- (g) Any complaint (if any).

1.3 PROBLEM STATEMENT AND RESEARCH QUESTIONS

The basic difference between prior review and post review is generally the setting of procurement threshold of contract depending upon the procurement capacity of the implementing agency and the critical project procurement. Procurement threshold is a financial figure above which the procurement falls under prior review category. The procurement below threshold falls under procurement post review. Procurement threshold is an important determinant for each project and implementing agency in terms of mitigation of procurement risk. In case of prior review contracts, the Implementing Agency is getting help from the WB in every stage of the procurement processing while taking clearance from the WB. However, in case of post review contracts, the Implementing Agency takes complete responsibility of procurement processing. It is not wise to make all contracts under prior review category during preparation of the projects. This would not be efficient as it would take more times from the WB side as well as times of Implementing Agency for small scale procurement. Administrative costs would be more than the value of the purchasing of goods, works and services. Again complete relying on the Implementing Agency in the procurement processing of all contracts under any project would

not be effective as there would not be any control to follow the rules, regulations or Guidelines. In case of any violation of the terms and conditions of the Financing Agreement, Procurement Guidelines and/or the Anti-Corruption Guidelines in procurement processing would result in the declaration of mis-procurement by the WB and the Implementing Agency would require to return back the fund used in the procurement to the WB. This is a serious issue for the Implementing Agency or the government to manage such large fund for return to the WB. Under these circumstances, the issues are whether the WB can rely on the procurement post review as a tool to satisfy the following questions:

- (a) Does Procurement Post Review help to reduce the procurement risk in the WB funded projects? If yes, how? If not, why?
- (b) How effective is it as a tool for public procurement risk mitigation?

This needs to be analyzed and recommended for effectiveness of this tool in the procurement processing in the WB funded projects in Bangladesh and whether this can be extended as a primary tool for mitigating risk in public procurement.

1.4 OBJECTIVES OF THE STUDY

The specific objectives of this study are:

- (a) to find out the nature of risk mitigation measures through procurement post review in WB funded projects in Bangladesh; and
- (b) to find out the extent of reliance on procurement post review for procurement risk mitigation in procurement cycle.

1.5 LIMITATIONS

The study has the following limitations:

- (a) The study is based on secondary data taken from the procurement post review reports prepared for FY11, FY12 and FY13.
- (b) Deviations observed in the PPR are solely the judgment of the reviewer at the time of review and in the PPR reports.

- (c) Conclusion will be drawn based on the analysis of data/observations made in the review reports.
- (d) Sample size considered in the PPR may not be purely the statistical sample size to be considered in the review.

1.6 ORGANIZATION OF THE STUDY

The method followed from initiation to conclusion of this study is as follows:

- (a) Collection of documents, reports and guidance notes on subject matter for literature review and strengthening theoretical knowledge based on which work is carried out;
- (b) Collection of PPR reports from the WB;
- (c) Selecting project sample from the post reviewed projects from the said three years;
- (d) Filtering data of selected projects from the reports;
- (e) Analyzing the data from various dimensions and developing hypothesis/ideas;
- (f) Forming conclusions and recommendations; and
- (g) Further activities.

The organization of this study is summarized below:

- i. Chapter 1 discusses about the background, rationale, and objectives of this study. It highlights the problem statement why the writer opts for this study. It also describes the limitations of this study as desk review. This study is based on secondary data.
- ii. Chapter 2 describes the literature review of this study. It mainly focused on the World Bank's information. However, the study incorporates relevant reports, documents, information on procurement post review of ADB and CPTU and others, as appropriate. The chapter in a nutshell tries to give a good picture of how the procurement post review is conducted and administered. How the development partners are ensured that their funds are used only for intended purpose. What the results are produced from this exercised and how the policy is governed in fiduciary level.
- iii. Chapter 3 describes the approach and methodology, sampling process and analysis of the sampling technique both in primary level and secondary level.

- iv. Chapter 4 is a long chapter outlining the sampling analysis, data analysis, forming observations on what categories, types of observations, segregation of observations from various angles to establish hypothesis. It also focuses the trend analysis of observations to form opinion.
- v. Chapter 5 identifies different types of procurement risk found in the procurement post review and how these can be mitigated. How this tool can be utilized in public procurement to minimize the procurement risk.
- vi. Chapter 6 provides conclusion and recommendations of this study based on the information leading to conclusion.
- vii. This study also contains bibliography and annexes to support reference of the study material.

CHAPTER TWO

LITERATURE REVIEW

2.1 WORLD BANK

Procurement post review is normally carried out by the WB regularly. The borrower (or the Implementing Agency) shall retain all documentation with respect to each contract not governed by prior review threshold during project implementation and up to two (2) years after the closing date of the loan/financing agreement. This documentation would include, but not be limited to, the signed original of the contract and all subsequent amendments or addenda, the bids, the bid evaluation report and the recommendation for award, the payment invoices or certificates, as well as the certificates for inspection, delivery, completion and acceptance of goods, works, and non-consulting services, for examination by the WB or by its consultants/auditors. The borrower shall also furnish such documentation to the WB upon request. The WB may declare mis-procurement for any of the reasons provided below, including if it determines that the goods, works, or non-consulting services were not procured in accordance with the agreed procedures and methods reflected in the Loan Agreement and further detailed in the Procurement Plan to which the WB gave its no objection, or that the contract itself is not consistent with such procedures and methods. The WB shall promptly inform the borrower of the reasons for such determination.

The WB does not finance expenditures under a contract for goods, works, or non-consulting services if the WB concludes that such contract: (a) has not been awarded in accordance with the agreed provisions of the loan/financing agreement and as further elaborated in the Procurement Plan to which the WB provided no objection; (b) could not be awarded to the bidder otherwise determined successful due to willful dilatory conduct or other actions of the borrower resulting in unjustifiable delays, the successful bid being no longer available, or the wrongful rejection of any bid; or (c) involves the engagement of a representative of the borrower, or a recipient of any part of the loan proceeds, in fraud and corruption. In such cases, whether under prior or post review, the WB will declare mis-procurement, and it is the WB's policy to cancel that portion of the loan allocated to the goods, works, or non-consulting services that have been mis-procured.

The World Bank may also, depending on risks and the scope of the project (e.g., involving many small value and simple contracts), agree with the borrower that they appoint independent entities to carry out PPR, in accordance with terms, conditions, and reporting procedures acceptable to the World Bank. In such cases, the WB reviews the reports submitted by the borrower, and retains its right to directly conduct post reviews during project implementation as may be needed. *(Source: World Bank Procurement Guidelines, 2011 and PPR Guidance Notes)*

2.2 ASIAN DEVELOPMENT BANK

Generally Asian Development Bank (ADB) and the borrower agree on post review. ADB reviews and responds as soon as practicable, but no later than six (6) months after receipt of the required documents from the borrower. It is assumed that ADB has no objection to the borrower's action. The borrower normally retains all documentation with respect to each contract where post review is required during project implementation and up to two years after the project closing date. This documentation would include, but not be limited to, the signed original of the contract, the evaluation report including the analysis of the respective proposals, and recommendations for award, for examination by ADB or by its consultants. Master copies of electronic documents must be retained in print form, suitably authenticated by the issuing agency by signature, stamp or other feature acceptable to ADB. The borrower furnishes such documentation to ADB upon award of contract unless otherwise specified in the financing agreement. If ADB determines that the goods, or works were not procured in accordance with the agreed procedures as reflected in the financing agreement, it may declare mis-procurement. ADB promptly informs the borrower the reasons for such determination. If mis-procurement is declared after disbursement, the borrower is required to refund the corresponding amount to ADB immediately upon request from ADB. *(Source ADB Procurement Guidelines, 2012)*

2.3 PUBLIC PROCUREMENT RULES, 2008 (BANGLADESH)

According to Rules 45 and 46 of the Public Procurement Rules, 2008, independent consultant will review the records of procurement activities for the agencies whose procurement value is more than BDT 100 million in any financial year. The basic premises of procurement post review are to ensure:

- (a) whether the procurement proceedings have been conducted and implemented by the procuring entity following the provisions of the Procurement Act, 2006 and the Public Procurement Rules, 2008; and
- (b) whether in implementing the objective of the Act and the Rules value-for-money has been achieved.

Procurement post review will be carried out within nine (9) months following the end of the financial year and the findings will be shared with the procuring entity and the Central Procurement Technical Unit (CPTU), a unit of the Government of Bangladesh who is responsible for administering the procurement policy, rules, and regulations of the Government. The sample size shall be at least 15% of the total contracts covering at least 30% value of the total procurement of the said financial year. The CPTU may also undertake a sample procurement review of the past procurement activities carried out by a procuring entity for monitoring compliance with the Public Procurement Act 2006 and the Public Procurement Rules, 2008. CPTU will publish the findings of the procurement post review and recommendations in its website, so that it can properly carry out its monitoring responsibilities and inform the Government and the general public about its recommendations for remedial measures concerning adherence to the relevant Rules, contract management, and delays. *(Source: The Public Procurement Rules, 2008)*

2.4 RISK RATING OF WB PROJECTS

The risk rating of WB funded projects is determined in the project appraisal phase while preparing project appraisal document (PAD) in consultation with the implementing agency, the government, and other stakeholders. A project is generated with the creation of project development objectives. Risks to the project development objectives are segregated into four major areas:

- (a) Project Stakeholder Risk:
 - (1) Stakeholder risk.
- (b) Operating Environment Risk:
 - (2) Country risk; and
 - (3) Institutional risk.
- (c) Implementing Agency Risk:

- (4) Capacity risk;
- (5) Governance risk; and
- (6) Fraud and corruption risk.
- (d) Project Risk:
 - (7) Design risk;
 - (8) Safeguard risk;
 - (9) Program and donor risk;
 - (10) Delivery/quality risk; and
 - (11) Other risks.

Generally procurement risk is determined from the capacity assessment of the implementing agency how much they are capable to manage the procurement of goods, works and services locally and internationally successfully following the basic procurement principles and guidelines or other governing documents. The basic procurement principles³ are given below generally followed by every institution/organization:

- (a) The need for economy and efficiency in the implementation of the project including procurement of goods, works and services;
- (b) Giving all eligible bidders/consultants the same information and equal opportunity to compete in providing goods, works and services;
- (c) Ensuring transparency in the procurement process;
- (d) Encouraging domestic industries to provide goods, works and services; and
- (e) The need for high quality services.

In order to assess the procurement risk of an implementing agency or a project, the WB uses the P-RAMS (Procurement Risk Assessment and Management System) template. The template consists of eleven (11) risk factors comprising several questionnaires under each risk factor. The risk factors are given below and the template with questionnaires in ***Annexure 1***.

- (1) Accountability for Procurement Decisions in the Implementing Agency or Agencies;
- (2) Internal Manuals and Clarity of the Procurement Process;
- (3) Record Keeping and Document Management Systems;

³ Source: WB Procurement Guidelines, 2011

- (4) Staffing (mainly procurement related);
- (5) Procurement Planning;
- (6) Bidding documents, pre-qualification, short listing, and evaluation criteria;
- (7) Advertisement, Pre-bid/proposal Conference and Bid/Proposal Submission;
- (8) Evaluation and Award of contract ;
- (9) Review of Procurement Decisions and Resolution of Complaints;
- (10) Contract Management and Administration; and
- (11) Procurement Oversight.

The risk level for these eleven factors is initially established depending upon the response from the agency, the face to face discussion with the staff of the agency, and sometimes the review of the past procurement documents. The risk level of each risk factor is rated at four categories:

- (a) High;
- (b) Substantial;
- (c) Moderate; and
- (d) Low.

Based on subjective judgment, the overall rating of risk for a project is determined as ‘High’, ‘Substantial’, ‘Moderate’ or ‘Low’. Obviously this rating is not the summation of the rating of 11 factors mentioned above.

According to P-RAMS, the process of risk identification and mitigation measures is given below:

- (a) Risk identification for a project;
- (b) Procurement risk rating;
- (c) Risk mitigation actions;
- (d) Procurement arrangements;
- (e) Capacity development plan; and
- (f) Implementation support plan.

2.5 RISK MITIGATION PLAN

When the risk of an agency or a project is agreed on, then the issue to the management is how to mitigate such risk in project implementation period. Overall project risk is mitigated through the

project supervision mission generally arranged twice every year. The task team leader (TTL) determines the period of project supervision. During project supervision project progress and problems are discussed in Aide-memoire and reflected in implementation status report (ISR) of the project. The Bank has shifted its policy from ‘project supervision’ to ‘Implementation Support Plan (ISP)’ from April 2013 to add value to the project as much as possible. Apart from this, there are other instruments or tools to mitigate project risks or other specific risk. The procurement risk of a project is monitored and mitigated through:

- (a) Prior review of contracts above threshold;
- (b) Post review of contracts below threshold;
- (c) Procurement risk mitigation framework (PRMF)⁴.

The financial risk is mitigated through financial audit of the project. The environmental risk is mitigated through preparation and implementation of Environmental Impact Assessment and Environmental Management Plan.

2.5.1 Implementation Support Plan

Borrowers as owner of World Bank-financed projects are responsible for ensuring that these projects achieve their development objectives. In order to achieve the project development objectives (PDO) successfully, the Bank assists the borrowers and the implementing agencies during project implementation period. Overall objective of implementation support is to help borrowers increase the development impact of investment project financing operations through (i) improved results, (ii) better implementation and risk management, and (iii) increased institutional development, while ensuring compliance with the Legal Agreements of the operation. The implementation support basically involves with:

- (a) **Technical advice:** providing technical assistance and policy advice on capacity building activities to bring added value to the borrowers to achieve improved results at the project level; and
- (b) **Compliance oversight:** providing advice to the borrower to implement the project with due diligence to achieve its development objectives in conformity with the project’s legal agreement with the World Bank.

⁴ Developed by WBOD Procurement Unit

The aim of ISP is to address implementation issues efficiently and timely, resolve problems quickly, and build capacity adequately. This support function takes on the following characteristics: (i) driven by results and risks, (ii) collaborative and productive partnership, (iii) different approaches for difference needs, and (iv) flexible and proactive response to a changing environment.

The tasks involved during implementation stage considering transaction based by nature:

- (a) **Facilitating project implementation activities:** The task team reviews borrower's documents including procurement documents to validate the eligibility of proposed financing activities, issue no objections to procurement activities and provide technical inputs when required.
- (b) **Identifying opportunities to bring added value to the borrower:** There are different opportunities for the task team to bring added value to the borrower through sector dialogue, technical assistance/policy advice, and knowledge-sharing based on international experiences.
- (c) **Providing technical support to the borrower:** Strengthening the capacity of the borrower to manage and deliver project activities following agreed technical specifications and quality standards.
- (d) **Providing fiduciary support and oversight:** The task team closely monitors the borrower's fiduciary arrangements (including procurement, financial management, and disbursements) to attest to its continued capacity to: (i) implement the project procurement plan; (ii) follow the use of funds and expenditures and provide reasonable assurance that loan proceeds are being used for the purposes intended; (iii) record correctly all transactions and balances; and (iv) prepare reliable financial statements.
- (e) **Providing environmental and social safeguards support and oversight:** The task team provides technical advice to strengthen the borrower's environmental and social management capacity, and attests to its continued capacity to implement the project in line with the project's social and environmental provisions as set out in the Legal Agreement.

- (f) **Assessing the quality of the borrower's reports:** The task team supports borrower's efforts to provide reliable, objective, timely, and useful information that can be used as an early warning tool, a monitoring tool, and mitigation impact evaluation tool.
- (g) **Monitoring and assessing progress and result and addressing implementation issues:** The task team assesses whether the transactions incurred under the project are on track with the procurement plan and disbursement schedules.
- (h) **Managing risks for the successful implementation, operation, and sustainability of the project:** The task team updates the risk assessment by reassessing the stakeholder risks, country risks, capacity and governance risks at the implementing agency level, and project-specific risks. The team leader updates the risk assessment in the ISR report.
- (i) **Monitoring compliance:** The task team monitors compliance of borrower's actions with the Legal Agreement.
- (j) **Evaluating project implementation status and performance:** The task team makes an assessment of the overall project performance, including performance of the implementing agency/agencies, with particular attention to whether implementation arrangements remain adequate.
- (k) **Informing Bank Management of project performance results and risks:** The task team reports on results and risks to achieving the project development objectives and any adjustments or action plans deemed necessary through the Implementation Status and Results (ISR) Report.
- (l) **Updating the Implementation Support Plan as required:** The Implementation Support Plan is revised as needed to take into account any evolving circumstances.

The outcome of the ISP, the project progress and problems, the key risks and implementation issues are recorded and communicated through Aide-memoire, management letter, implementation status and results report, and minutes of interactions with borrowers between official reviews/meetings. (Source: WB ISP Guidelines for TTL)

2.5.2 Prior Review of Contracts

With respect to all contracts which are equal or above the agreed threshold identified in the approved procurement plan are subject to the WB's prior review. A threshold is a value of an estimate of a contract agreed in the procurement plan upon which the contract is subject to Bank's prior review. Sometimes a contract is subject to Bank's prior review irrespective of value but agreed on certain procurement types. For example, all contracts to be procured under international competitive bidding (ICB), direct procurement, quality and cost based selection (QCBS) and single source selection (SSS) (firm or individual) are subject to Bank's prior review whether their value is above or below threshold⁵. When the agency is planning to initiate procurement process of a contract package the agency requires the Bank's clearance at the following stages⁶ of the procurement:

- (a) Clearance of pre-qualification document or request for expressions of interest (REOI) including estimate and terms of reference;
- (b) Clearance of list of prequalified bidders or shortlisted consultants;
- (c) Clearance of draft bidding document or draft request for proposal;
- (d) Clearance of bid evaluation report or technical proposal evaluation report;
- (e) Clearance of combined evaluation report including draft contract agreement (for consultancy only);
- (f) Clearance of bid/proposal validity extension request;
- (g) Clearance of changes of any document following clarification or complaint;
- (h) Clearance of draft modification of contract agreement.

So any risk arising from deviation of the agreed principles, guidelines, or financing agreement in the procurement of goods, works or services is mitigated by the WB in every stage of the procurement process through issuance or non-issuance of clearance of that stage. If the implementing agency upon request from the WB does not rectify the deviation identified by the WB, it may declare mis-procurement with or without cancellation of fund for that procurement.

2.5.3 Post Procurement Review

This tool is discussed in detail in the next chapter as this is the main theme of the topic.

⁵ *Agreed in Project Appraisal Document and Procurement Plan*

⁶ *Appendix 1 of the Procurement Guidelines, 2011*

2.5.4 Procurement Risk Mitigation Framework

During implementation of any project, the implementation agency agrees with the TTL that they would take the following actions to improve the governance in procurement through its operations.

- (a) **Alert agency staff:** The agency will issue an alert letter to all staffs involved in procurement under the project including members of the evaluation committee, notifying about the possible consequences of corrupt and similar behavior in procurement practices and actions to be taken against them for involvement in such practices.
- (b) **Alert bidders in pre-bid meeting:** The agency will alert bidders during pre-bid meeting on consequences of corrupt practices (fraud and corruption, collusion, coercion, etc.). The alert message will include that if bidders are found to have adopted such practices, they would be debarred from subsequent bidding processes.
- (c) **Multiple dropping:** Multiple dropping of bids (bids submitted in more than one location and but opened in one location) will not be permissible.
- (d) **Bid opening committee (BOC):** A formal structured BOC will be constituted for opening of bids for each package.
- (e) **Bid opening minutes (BOM):** During the same day of bid opening, photocopies of the BOM with readout bid prices of participating bidders will be sent (through fax) to the project director (for decentralized activities) and IDA for prior review packages.
- (f) **Timeliness of bid evaluation and contract award:** In accordance with the procurement approval process, bid evaluation reports will include certificates of impartiality and will be submitted directly to the contract approving authority following the stipulated timelines.
- (g) **Action for corrupt practices – by bidders:** In cases of possible collusion found, the agency will initiate actions including debarring contractors/suppliers as appropriate in accordance with Public Procurement Rules, 2008 and WB's Guidelines. If any firm is debarred, the list of debarred firms will appear in the web

sites of Central Procurement Technical Unit (CPTU). The agency will share such information with the WB regularly.

- (h) **Action for corrupt and similar practices – by implementing agency staff:** In cases of possible corrupt or similar practices, the agency will thoroughly investigate it and if involvement of agency staff is established, the agency will take departmental/ disciplinary action against the involved agency staff strictly in accordance with their services rules.
- (i) **Low competition among bidders and high price of bids:** The case(s) of low competition (not solely based on number of bidders) coupled with high priced bids will be reviewed by the head of the procuring entity. The review and decision in this regard would be in the context of qualification criteria (too higher side?), the contract size (too small or too large), location and accessibility of the site, capacity of the local contractors/ suppliers (for smaller and non-attractive contracts), etc.
- (j) **Measures to reduce coercive practices:** Upon receiving allegations of coercive practices resulting in low competition, the agency will look into the matter, take appropriate measures and inform the WB of their action taken.
- (k) **Rebidding:** In case of re-bidding, the agency will enquire into the matter, record and highlight the grounds of re-bidding (i.e. corruption or similar, high bid prices etc.) along with recommended actions to be taken and inform to the WB.
- (l) **Filing and record-keeping:** The agency will preserve records and documents regarding their public procurement in accordance with provisions of the PPR, and these records will be made readily available on request for audit/investigation/review by the WB.
- (m) **Procurement Plan in websites:** The procurement plan will be published in the website of CPTU and the WB, and updated semi-annually.
- (n) **Publication of award of contract in websites:** All contract award information shall be published in the agency's own website, CPTU website and the WB's website (in prior review packages).
- (o) **Complaints handling mechanism:** A credible system of handling complaints will be put in place in the agency in accordance with the provisions of the PPR including submission and disposal of complaints within the timeline stipulated therein.

- (p) **Late payments and liquidated damages:** The agency will ensure timely payment of bills of the suppliers/ contractors/ consultants as per the provisions of the contract. For delays in payment, contractor may charge interest on late payment according to provisions of the contract. Similarly, for delays in implementation, liquidated damages will be imposed on the contractors as per the contract.
- (q) **Post procurement audit (review):** The agency will carry out annual post procurement audit (review) based on sample contracts by hiring chartered accounting firm (with international experience), share the findings of the report with the WB, and will initiate actions/ steps for improving procurement practices, as appropriate.
- (r) **Special training course:** The agency will arrange special training courses/ workshops, covering WB's Guidelines and PPR.
- (s) **Training – bidding community:** The agency will also conduct a few procurement workshops/ seminars for the bidding community on WB's procedures, PPR, corruption and bidding process. This can be provided regionally using facilities of the regional public training centers.
- (t) **Quarterly Reporting:** The agency will report to the WB the status of each contract package under procurement process and implementation phase including delivery, payment and warranty.

2.6 PROCESSES AND PROCEDURES OF PPR

The Project Appraisal Document (PAD) for each project rates the overall procurement risk assessment as low, moderate, substantial or high and indicates the frequency of procurement supervision proposed and the percentage of contracts subject to post review. Procurement supervision plan specifies the post review procurement supervision for implementing agencies with different risk ratings and requires that normally not less than one in five contracts should be reviewed for high-risk agencies, one in ten for substantial-risk agencies, one in fifteen for moderate-risk agencies and one in twenty for low-risk agencies. The ratio may be adjusted during project implementation, depending on the performance of the agency and the result of the reviews.

The main objectives⁷ of post reviews are to:

- (a) verify the procurement procedures followed for the project, and identify noncompliance with the agreed provisions of the legal agreement and applicable Guidelines;
- (b) check that the procurement arrangements agreed with the borrower are still in place;
- (c) report contract management issues as may have been identified by the executing agency;
- (d) check that technical compliance and physical completion reviews for the contracts in the selected sample have been carried out;
- (e) note fraud and corruption red flags and report any evidence of fraud and corruptions; and
- (f) identify mitigating measures or remedies to correct procurement deficiencies and recommend them to the borrower and its executing agency.

2.6.1 Responsibility of PPR in WB

Procurement post reviews are the responsibility of the Regions, which must provide adequate staff and budget resources. Regional Procurement Manager (RPM) is required to monitor compliance with the post review requirements for their region. Primary responsibility for project supervision rests with the task team leader (TTL) under the oversight of the sector manager. Upon request from the TTL, the RPM assigns staff or consultant as reviewer for carrying out post reviews. If the post review is not carried out jointly, the reviewer should liaise with the Financial Management Specialist to share the findings and information regarding contracts. The TTL is responsible for following up the Borrower and its executing agencies to ensure that recommendations and mitigation measures are implemented.

2.6.2 PPR Planning

Prior to the beginning of each fiscal year (FY), the DPS shall prepare the annual schedule for all PPRs under his/her assignment. Fiduciary compliance by the Region calls for completing at least one PPR in each fiscal year for each project or trust fund. Following coordination with the

⁷ PPR SAR Guidance Notes

TTL and the Country Focal Point (CFP), the DPS shall submit his/her annual schedule for PPRs to the RPM not later than the fourth quarter of the preceding fiscal year for budgetary purpose.

2.6.3 PPR Steps

2.6.3.1 Collection of Updated Procurement Plan

Prior to starting of any PPR activities, the TTL/DPS shall collect the updated procurement plan of the project or trust fund from the respective implementing agency(ies). The updated procurement plan shall provide:

- (a) The authoritative list of eligible contracts for goods, works and services agreed with the TTL to carry out the project;
- (b) The agreed methods for procuring such contracts; and
- (c) The agreed thresholds for contracts subject to prior versus post review.

These updated procurement plans shall display all data related to awarded contracts. Where updated procurement plans are unavailable for older projects, the contract list shall be prepared and submitted by the implementing agency at least one month before the scheduled PPR.

2.6.3.2 Verification of Updated Procurement Plan

When the DPS receives the updated procurement plan from the implementing agency, s/he shall first verify the list for completeness and accuracy in order to: (i) ensure that only contracts which are eligible for financing under the related Loan, Credit or Trust Fund Agreement and agreed with the TTL have been listed by the implementing agency; and (ii) check that all necessary information for each contract has been included.

2.6.3.3 Risks

The risk inherent in procurement supervision is a function of the capacity of the implementing agency to conduct procurement transactions as required by the Loan, Credit or Trust Fund Agreement. This function determines the project's prior review thresholds for high-value contracts and by inference classifies the remainder as post review. Hence all contracts in a project irrespective of purpose, duration and value are subject to review by the Bank, either before or after they have been awarded. Long-term objective of procurement supervision shall always be to strengthen the capacity of the implementing agency and thereby lower the risk.

2.6.3.4 Frequency of PPRs

The TTL's project supervision plan shall incorporate the agreed number of PPR missions in each FY. This number and the risk rating shall be correlated. In principle, there should be not less than one PPR every six months for substantial and high risk agencies and not less than one PPR every twelve months for moderate and low risk agencies. This means that each project shall be subject to a PPR at least one in every fiscal year.

2.6.3.5 Sample Size

The size of the representative sample of contracts for PPRs should generally not be less than:

- (a) One in five contracts for high risk agencies;
- (b) One in ten contracts for substantial risk agencies;
- (c) One in fifteen contracts for moderate risk agencies; and
- (d) One in twenty contracts for low risk agencies.

These ratios may be adjusted during project implementation depending on subsequent capacity improvements in the implementing agency, as reflected in previous implementation supervision report and PPR.

2.6.3.6 Missing or Insufficient Information

In cases where the selected contracts lack critical information or provide insufficient information to complete the PPR, the reviewer shall promptly notify the implementing agency verbally. If the implementing agency is unable or unwilling to cooperate, the reviewer shall reiterate the request in writing, specifying the missing or insufficient contract information or document, with a copy to the TTL. The notification should insist that this information be furnished as promptly as possible but in any case within two working days. If the implementing agency remains unable or unwilling to cooperate, this event and its consequence on the PPR should be recorded as a critical finding in the report.

2.6.3.7 Physical Inspection

The physical inspection of goods and works by the reviewer is an indispensable part of the PPR. The reviewer should inspect the presence and physical condition of about 20% of the assets

covered in the representative sample. The reviewer's work should revolve around the principles which require borrower to procure and use goods and works solely for the purposes of the approved project. Therefore the PPR should draw attention to missing, diverted or relocated goods and works. In cases where the reviewer is not able to gain access to goods and works for physical inspection even after notification to the implementing agency and using his/her best efforts, the impediments encountered by him/her should be detailed in the PPR.

2.6.3.8 PPR Process Flow

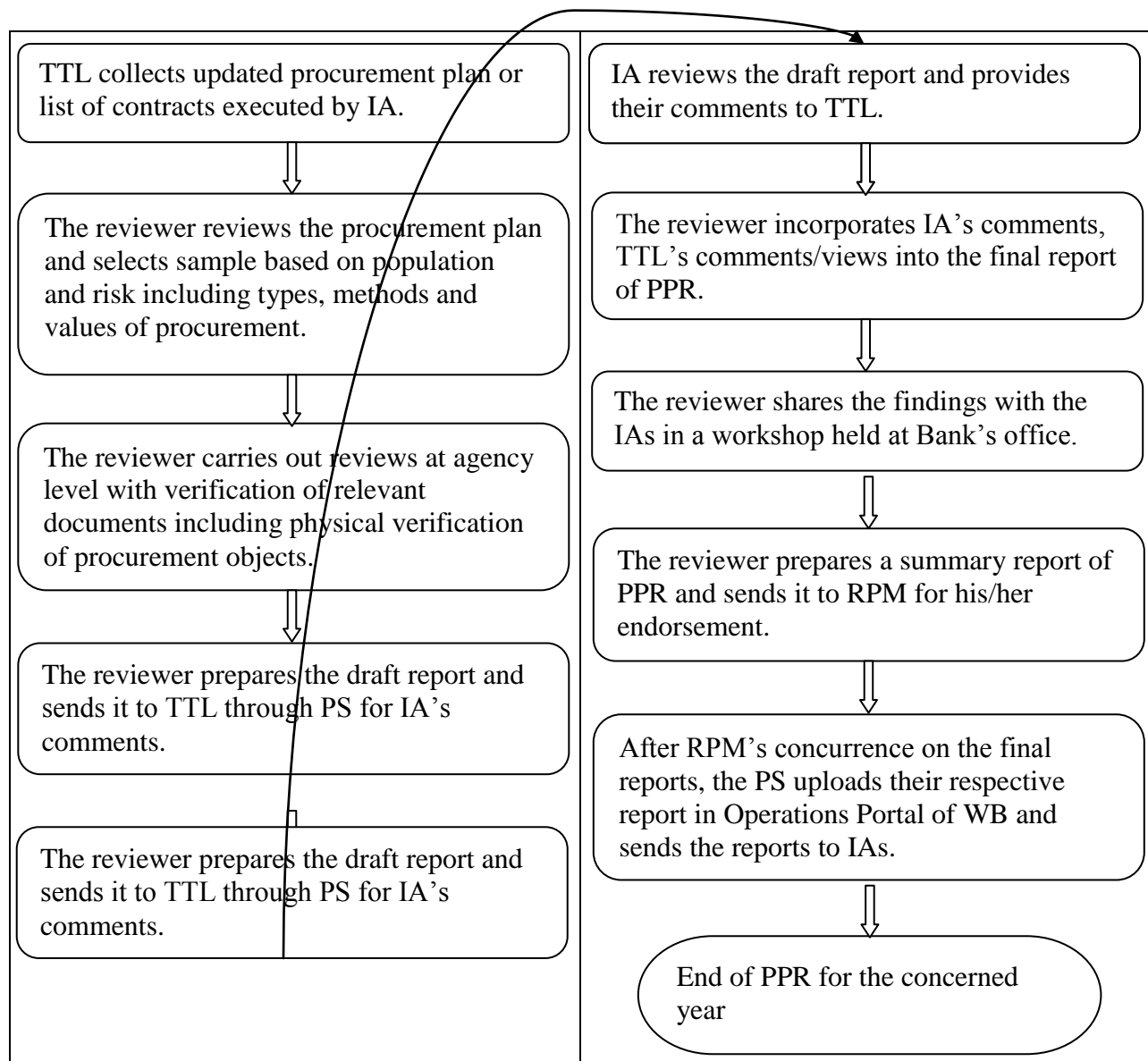
Before conducting a post review, the TTL obtains the list of all signed contracts (i.e. updated procurement plan) and provides it to the DPS or consultant. The reviewer checks the list of contracts against the World Bank Listing of Ineligible Firms, the AML/CFT Database, and the Company Risk Profile Database (CRPD). For contracts with a positive result in the World Bank Listing of Ineligible Firms, the AML/CFT Database, the TTL in coordination with the DPS will take steps in accordance with the relevant guidance. Contracts with a positive result in the CRPD will be added to the sample of contracts to be reviewed.

The sample of contracts to be reviewed should include distribution among different procurement methods and categories (i.e. types). For projects with a very large number of contracts, this may be adjusted to include specified types of procurement.

After the reviewer has completed the post review, which may include site visits or inventory checks to be carried out by a technical specialist, the reviewer reports the procurement post review ratings for the project as input to the TTL, sends a copy of the post review report to the RPM, and files the post review report, along with a risk rating and recommendations, in the post review system accessible through the procurement tab in the Operational Portal.

The RPM monitors the implementation of post reviews including the planning, recording, and follow-up on the post reviews. Follow-up actions within the Bank in respect to any remedial measures are to be taken by TTL in association with the procurement staff and in consultation with the Regional Procurement Manager, Sector Manager, Country Director, OPSOR and LEGOP, as necessary.

The detail process is shown in the flowchart below.



Source: Developed by the author

2.6.3.9 Risk Rating during PPR

The initial risk rating of the project is reviewed during procurement post review and the project supervision (recently known as Implementation Support Plan) upon measuring the compliance and performance of the implementing agency in the procurement activities. The risk rating of a project is a dynamic issue. The result of every action undertaken by the implementing agency changes the risk rating of the project. Based on overall compliance and performance, the definitions of post review compliance/performance risk ratings are given below:

Low Compliance/ Performance Risk	Borrower procurement processes, and/or contract administration are of highest quality, reliability, timeliness, and transparency and required little or no corrective action needed by the Bank.
Moderate Compliance/ Performance Risk	Borrower procurement processes, and/or contract administration are of generally good quality, reliability, timeliness, and transparency with minor corrective action needed by the Bank.
Substantial Compliance/ Performance Risk	Moderate shortcomings in borrower procurement processes, and/or contract administration have limited or jeopardized the timely or efficient achievement of one or more major outputs, but resolution(s) is/are likely.
High Compliance/ Performance Risk	Significant shortcomings in borrower procurement processes, and/or contract administration have limited or jeopardized the timely or efficient achievement of one or more major outputs, but resolution is unlikely.

Compliance Risk Rating of Procurement Process	<div> <input type="checkbox"/> Low <input type="checkbox"/> Moderate <input type="checkbox"/> Substantial <input type="checkbox"/> High </div> <ul style="list-style-type: none"> • Procurement Planning: Assessment of quality of, and adherence to, the procurement plan, including changes /updates if applicable • Publications: Assessment of quality of, and adherence to, advertising and contract award publication requirements for applicable contracts • Bidding: Assessment of quality of, and adherence to, requirements for bidding documents, including RFP's, LOI's, short lists, terms of reference, and other applicable documents • Evaluation: Assessment of quality of, and adherence to, bid evaluation requirements/criteria, including draft contracts, technical and financial evaluation reports, and bid amendments, if applicable
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	<ul style="list-style-type: none"> • Awards: Assessment of quality of, and adherence to, contract award requirements, including amendments, variation orders, and extensions
Recommendations:	[List mitigating measures recommended to address the identified issues with regard to procurement processes.]

Performance Risk Rating of Contract Administration	<input type="checkbox"/> Low <input type="checkbox"/> Moderate <input type="checkbox"/> Substantial <input type="checkbox"/> High
	<ul style="list-style-type: none"> • Implementation: Assessment of quality of, and adherence to, contract implementation criteria, including results of physical inspections • Payments: Assessment of adherence to contract payment schedules, including timeliness of payments to contractors • Compliance: Assessment of adherence to all contractual compliance with agreed provisions; adherence to all related anti-corruption practices • Record-keeping: Availability, quality, security and completeness of contract records and files
Recommendations:	[List mitigating measures recommended to address the identified issues with regard to contract administration.]

Source: PPR Template WB

Based on the observation in the procurement process and contract administration during procurement post review, the project risk rating is changed or remained unchanged. This new risk rating is inputted in the project portal and used the revised risk rating in subsequent PPR assessment or project supervision mission.

CHAPTER THREE

STUDY METHODOLOGY

3.1 APPROACH AND METHODOLOGY

The approach of this study is a desk analysis of the results of procurement post review conducted by the WB from time to time. The reviews are generally carried out by the procurement specialists/experts within the WB or external auditors from time to time. This analysis considers the procurement post review conducted in FY11 (contracts signed between July 2009 and June 2010), FY12 (contracts signed between July 2010 and June 2011) and FY13 (contracts signed between July 2011 and June 2012) for WB funded projects in Bangladesh portfolio. All projects considered in FY11, FY12 and FY13 are not taken in this desk analysis. The reasons are given below:

- (a) There were projects/agencies included first time in the procurement post review where there was no previous history or institutional memory about procurement post review in the Implementing Agency.
- (b) The number of contracts considered for post review was insignificant whereby proper statistical inference could not be drawn due to unrepresentative sample of the procurement size of the project or in respect of the total sample.
- (c) The projects were not considered for consecutive years.
- (d) The projects appeared once in post review among the said three years.

The approach for considering projects included in this analysis is given below:

- (a) The projects were considered for post review for all three years mentioned above.
- (b) The projects were considered for post review at least two consecutive years.
- (c) The projects had representative samples to draw statistical conclusion.

The justifications for such approach are:

- (a) to observe the consistency of implication of procurement post review in the procurement processing and decision making process in the Implementing Agency level;
- (b) to draw statistical inference consistently across the period and projects;
- (c) to determine the resulting trend of procurement post review across the Implementing Agency level;
- (d) not to skew overall outcome of the procurement post review; and
- (e) use the result of procurement post review for generalization purpose.

3.2 SAMPLING FOR ANALYSIS

The samples taken by the World Bank during FY11, FY12 and FY13 for procurement post review are given below in Table 1. However, all projects are not considered for analysis following the approach and methodology described above. Among the projects, only 12 projects mentioned in the right-hand column of the Table 1 are considered for this analysis.

Table 1: List of Projects and Sample Size for FY11, FY12 and FY13 by the Bank

Project Name	FY11		FY12		FY13		Project Considered for Analysis
	Population	Sample	Population	Sample	Population	Sample	
AIPRP	19	6	26	6	43	11	AIPRP
BWSPP	50	10	-	-	-	-	
BBS	15	3	-	-	-	-	
CASE	-	-	17	4	4	4	CASE
CWSISP	-	-	-	-	4	4	
DCAR	-	-	-	-	13	6	
DWSSP	5	5	-	-	13	4	
ECRRP	52	22	27	6	22	8	ECRRP
EGPP	-	-	-	-	24	6	
HEQEP	10	3	-	-	600	91	
HNPSP/HSDP	60	20	51	13	59	11	HNPSP/HSDP
IDEA	-	-	-	-	2	2	
IPFF	-	-	-	-	11	4	
LGSP	-	-	58	7	-	-	
MSP AF	-	-	5	5	88	15	MSP AF
NATP	147	43	68	14	39	16	NATP
PEDP III	-	-	-	-	298	75	
PPRP II	7	6	-	-	15	4	

Project Name	FY11		FY12		FY13		Project Considered for Analysis
	Population	Sample	Population	Sample	Population	Sample	
PSDSP	-	-	-	-	6	4	
PSDTAP	-	-	16	4	-	-	
RERED AF	-	-	-	-	12	5	
ROSC	5	4	-	-	-	-	
RTIP	118	15	106	17	-	-	RTIP
SEQAEP	33	32	21	4	19	4	SEQAEP
SIPP/SIPP II	15	5	35	7	7	3	SIPP/SIPP II
SPEMP A	-	-	72	12	11	6	SPEMP A
SPEMP B	-	-	-	-	6	4	
SPEMP C	-	-	-	-	9	4	
SRCWP	-	-	-	-	18	5	
STEP	-	-	7	5	5	3	STEP
WMIP	-	-	24	6	34	9	WMIP
Total	536	174	533	110	1362	308	
Number of Projects	13		14		25		12

Source: WB PPR Reports and Author

The names of these 12 projects with acronym are given below:

- (1) Avian Influenza Preparedness and Response Project (AIPRP)
- (2) Clear Air Sustainable Environment (CASE) Project
- (3) Emergency 2007 Cyclone Recovery and Restoration Project (ECRRP)
- (4) Health Nutrition and Population Sector Program (HNPSP)/ Health Sector Development Program (HSDP)
- (5) Municipal Services Project – Additional Financing (MSP AF)
- (6) National Agricultural Technology Project (NATP)
- (7) Rural Transport Improvement Project (RTIP)
- (8) Secondary Education Quality and Access Enhancement Project (SEQAEP)
- (9) Social Investment Program Project (SIPP)
- (10) Deepening MTBF and Financial Accountability Program Project (SPEMP A)
- (11) Skills and Technical Education Project (STEP)
- (12) Water Management Improvement Project (WMIP)

3.3 SAMPLING METHOD

While there are other acceptable methods available to select a representative sample from a given cohort of contracts, the following work sequence is recommended for the selection of the representative sample⁸ of contracts for PPRs.

- (a) Sort all awarded post review contracts in the updated procurement plan from the highest to the lowest contract amount.
- (b) Drop outliers, i.e. the contract with the highest contract amount if it exceeds the second highest contract by more than 50% and the contract with the lowest contract amount if it is less than 50% of the second lowest contract amount.
- (c) Arrange the remaining contracts randomly and then select the contracts according to the risk level of agencies or projects, as mentioned in previous Section.
- (d) Check the proportion of goods, works and services contracts in the updated procurement plan, which are subject to post review. If the proportions of the representative sample are significantly different from the proportions of the updated procurement plan, then the reviewer shall adjust the initial representative sample by adding or removing contracts.
- (e) Refer to the OPCPR complaint data base. In cases where complaints relate to post review contracts, the contracts should be covered in the PPR even when the affected contracts are not part of the representative sample. Add these complaint-related contracts to the representative sample.
- (f) Record this final representative sample by identifying each contract by name, file number, procurement method and amount. This final representative sample serves as the object of the PPR.

Despite the above method, the sample selected from each project is determined based on judgment sampling method for PPR by the reviewer. Sometimes, the reviewer increases the sample size, if the review results primarily show negative.

⁸ *Information from SAR PPR Guidance Notes*

CHAPTER FOUR

DATA ANALYSIS AND RESULTS DISCUSSION

4.1 SAMPLING ANALYSIS OF PPR

4.1.1 Sampling Analysis of PPR FY11

The samples taken by the World Bank in FY11 and for this analysis are given below.

Table 2: Samples Taken by the World Bank and for this Analysis

Item	Number of Project	Population (Contracts)	Sample (Contracts)
For World Bank	13	536	174
For this Analysis	7	444	143

Source: WB PPR Reports and Author

The detail analysis of sample of 143 contracts in various projects reviewed in PPR FY11 is given below.

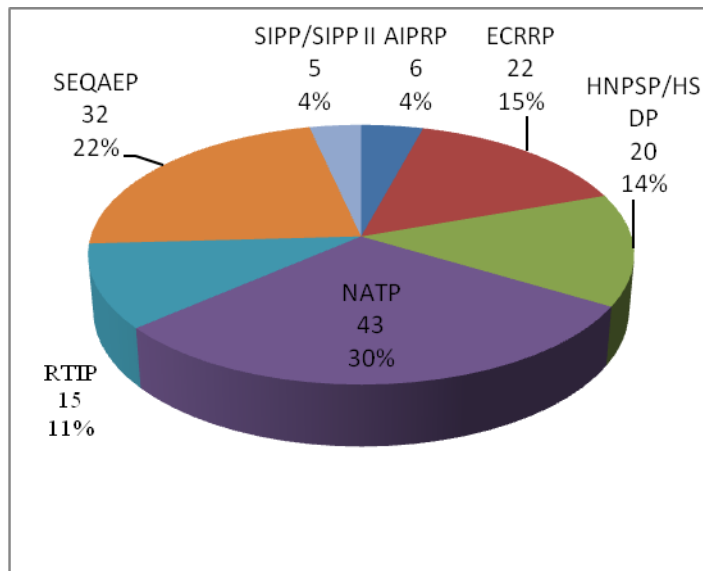


Figure 1: Sampling of Contracts in PPR FY11

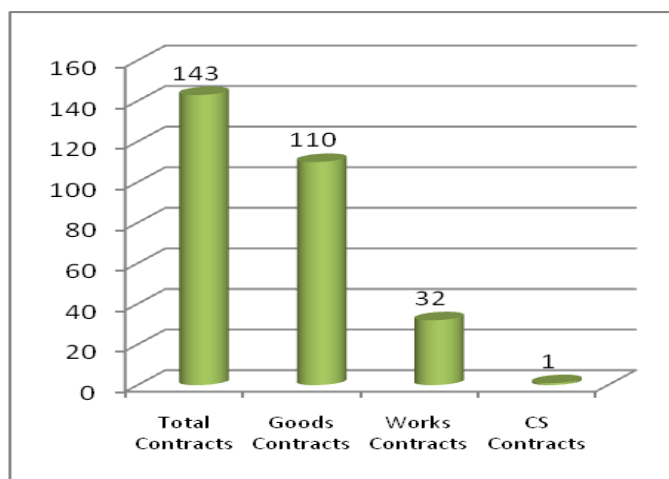
The left side chart shows the project name, number of contracts considered for review and percentage of contracts in overall sample size (i.e. 143 contracts). Major contribution to the sample is from NATP (30%) and SEQAEP (22%). However, the sample is not highly skewed due to large contribution of any project. Only less contribution is from SIPP and AIPRP.

4.1.1.1 Sampling by Procurement Type

There are broadly four types of procurement in public sector and it is recognized in the procurement policy, rules, regulations and guidelines. These are generally:

- (1) Goods and related services procurement;
- (2) Works and related services procurement;
- (3) Consulting or intellectual services procurement; and
- (4) Physical or non-consulting services procurement.

Generally physical or non-consulting services are not shown separately in the procurement plan due to its less contribution in the overall procurement of the government agencies. It is included in the goods category of procurement.



According to the left side chart, it is observed that most contracts in the selected sample are of goods category. It represents 77% of the sample size. Consulting services represent less than 1%. In respect of procurement type, the sample is highly skewed to goods procurement. But in value terms, the sampling ratio could be different.

Figure 2: Sampling of Contracts by Procurement Type in PPR FY11

4.1.1.2 Sampling by Procurement Method

The procurement methods for goods, works and non-consulting services are generally:

- (1) International competitive bidding (ICB);
- (2) Limited international competitive bidding (LICB);
- (3) National competitive bidding (NCB);
- (4) Limited competitive bidding (LCB);
- (5) Request for quotations (RFQ) or Shopping; and
- (6) Direct procurement (DC).

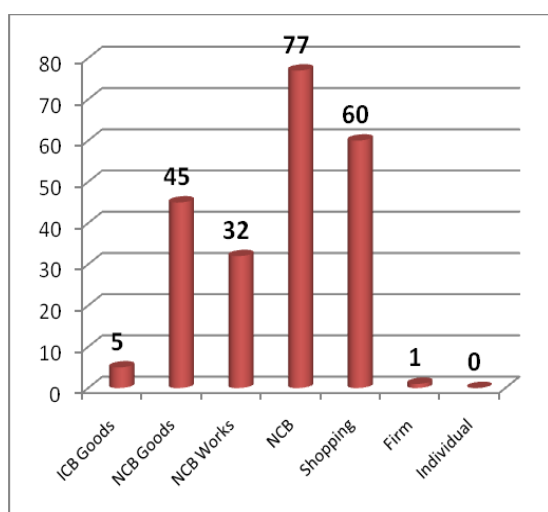
Generally ICB or limited ICB falls under prior review and the agency requires to World Bank's clearances in certain stages of the procurement. However, in HNPSP or HSDP the Bank allows goods procurement under ICB below certain threshold. Procurement through NCB falls under post review except any procurement through NCB above US\$ 300,000 per contract. Procurement through RFQ or shopping falls under post review. Any direct procurement falls under prior review.

In case of consulting services, the procurement methods are generally:

- (1) Quality and cost based selection (QCBS);
- (2) Quality based selection (QBS);
- (3) Fixed budget selection (FBS);
- (4) Least cost selection (LCS);
- (5) Consultants' qualification selection (CQS);
- (6) Single source selection (SSS).

By default all QCBS, QBS and SSS are prior review contracts. Consultant selection through FBS above certain threshold falls under prior review. All other procurements of consulting firm fall under post review.

In case of individual consultant, selection of consultants above or equal to US\$50,000 falls under post review. Now this figure is increased to US\$100,000.



According to the left side chart, the samples are dominated by the contracts having procurement through NCB and shopping methods. Contribution of the consulting contracts to the sample is negligible. Only one consulting contract is reviewed in PPR FY11. Similarly small number of contracts is from ICB as well, because only one Implementing Agency is allowed to procure goods under ICB which falls under post review.

Figure 3: Sampling of Contracts by Procurement Method in PPR FY11

4.1.2 Sampling Analysis of PPR FY12

The samples taken by the World Bank in FY12 and for this analysis are given below.

Table 3: Samples Taken by the World Bank and for this Analysis

Item	Number of Project	Population (Contracts)	Sample (Contracts)
For Bank	14	533	110
For this Analysis	12	459	99

Source: WB PPR Reports and Author

The detail analysis of sample of 99 contracts in various projects reviewed in FY12 is given below.

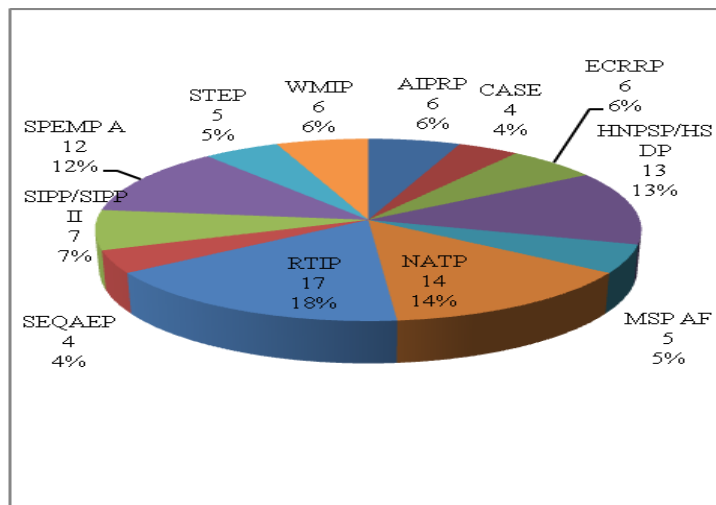


Figure 4: Sampling of Contracts in PPR FY12

The left side chart shows the project name, number of contracts considered for this review and percentage of contracts in overall sample size (i.e. 99 contracts). Major contribution to sample is from RTIP (18%), NATP (14%), HNPSP (14%) and SPEMP A (12%). The sampling from various projects is more or less balance.

4.1.2.1 Sampling by Procurement Type

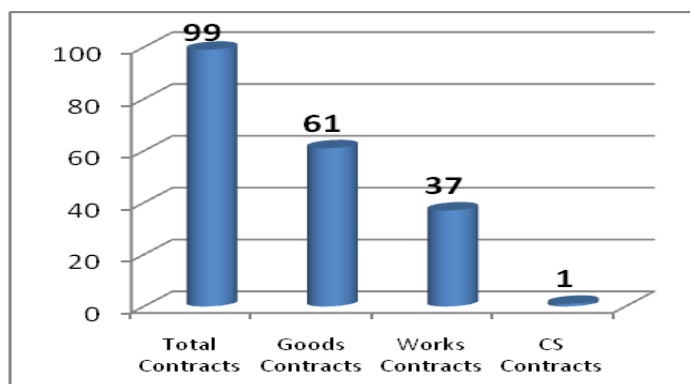


Figure 5: Sampling of Contracts by Procurement Type in PPR FY12

The sample size of 99 contracts consists of 61 goods contracts, 37 works contracts and 1 consulting services contract. The sample size is dominated by the goods contracts. It represents about 62% of the sample size. It is highly skewed to goods contracts.

4.1.2.2 Sampling by Procurement Method

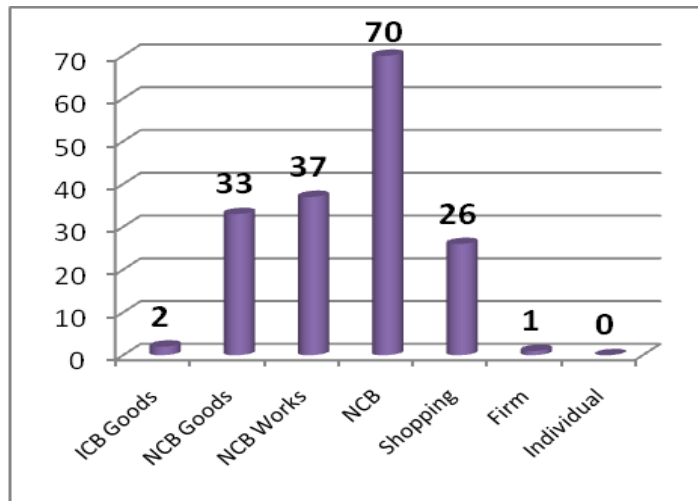


Figure 6: Sampling of Contracts by Procurement Method in PPR FY12

The sample size consists of ICB contracts, NCB contracts both goods and works, shopping contracts (mainly goods contracts), and consulting services. The contribution from ICB and consulting services is negligible compared to NCB contracts and shopping contracts. NCB contracts represent 71% of the sample size.

4.1.3 Sampling Analysis of PPR FY13

The samples taken by the World Bank in FY13 and for this analysis are given below. The sample size taken for this analysis is compared to much lesser than the original sample for the year. The reason of such low sample for this analysis is that Higher Education Quality Enhancement Project and Primary Education Development Program is first time included in the sample of PPR FY13. These two projects contribute large number of contracts in the sample size which is approximately 53.5%. As these projects are not included in this analysis, so the sample size is much lesser than the original sample size. If these two projects were included in the sample then the results of PPR could be distorted or skewed in analysis.

Table 4: Samples Taken by the Bank and for this Analysis

Item	Number of Project	Population (Contracts)	Sample (Contracts)
For World Bank	25	1362	308
For this Analysis	11	331	90

Source: WB PPR Reports and Author

The detail analysis of sample of 90 contracts in various projects reviewed in FY13 is given below.

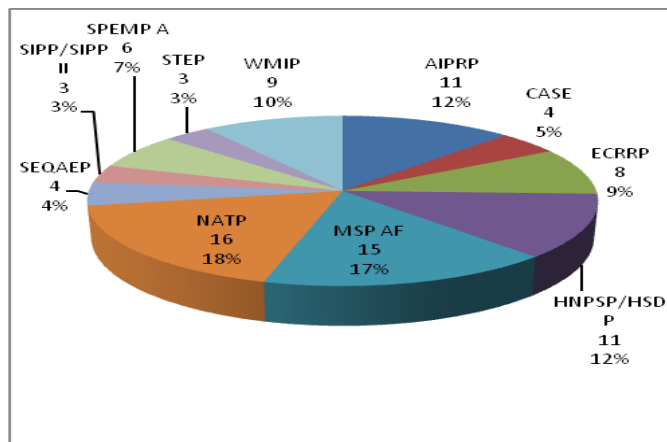


Figure 7: Sampling of Contracts in PPR FY13

The above figure shows the project name, number of contracts considered for review and percentage of contracts in overall sample size (i.e. 90 contracts). Major contribution to samples is from NATP (18%), MSP AF (17%), HSDP (12%) and AIPRP (12%). The sampling from various projects is more or less balance.

4.1.3.1 Sampling by Procurement Type

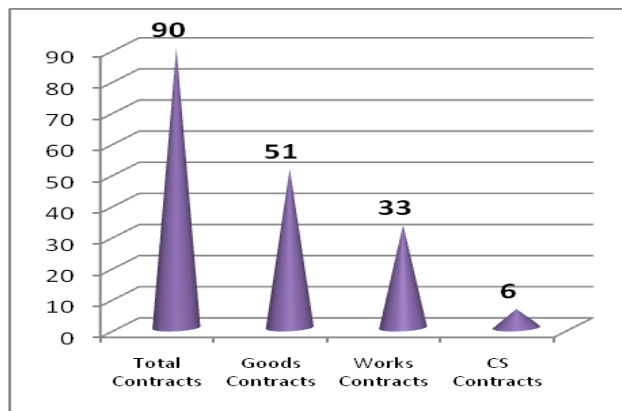


Figure 8: Sampling of Contracts by Procurement Type in PPR FY13

The sample size 90 contracts consists of 51 goods contracts, 33 works contracts and 6 consulting services contracts. Again goods contracts in the sample size are 57%. However the sample size has little bit more contracts in consulting services procurement compared to other years.

4.1.3.2 Sampling by Procurement Method

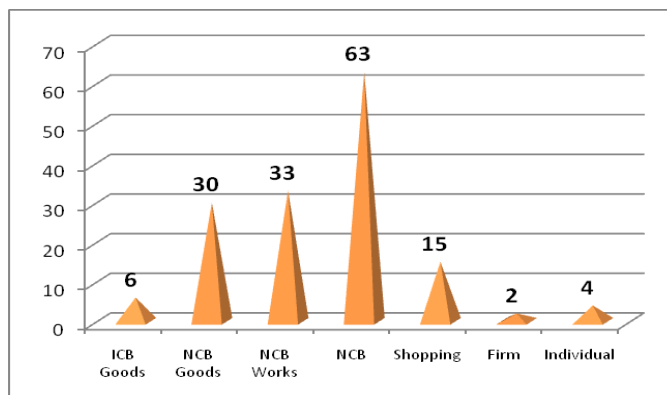


Figure 9: Sampling of contracts by Procurement Method in PPR FY13

In respect of procurement method in sampling, NCB contracts are 70% which is almost equally distributed to NCB goods and NCB works. This year the number of shopping contracts is less compared to other years in the past.

4.2 FORMING OBSERVATION OF PPR

4.2.1 Areas of Forming Observation

The contracts were reviewed in the procurement post review following a template developed by SARPS in 2009. The template is used in the South Asian Region (i.e. Bangladesh, India, Bhutan, Nepal, Sri Lanka, Pakistan and Afghanistan) of the World Bank. The template uses certain indicators to form opinion about the procurement carried out by the implementing agency. The broad indicators are:

- (1) Bidding;
- (2) Evaluation and award;
- (3) Contract management; and
- (4) Physical inspection.

4.2.1.1 Bidding

Under bidding indicator there are sub-indicators mentioned below:

- (a) Procurement notice advertised in accordance with loan agreement;
- (b) Procurement method in accordance with procurement plan;
- (c) Number of bidding documents sold;
- (d) Number of bids received;
- (e) Number of amendments to the bidding documents;
- (f) Date of invitation for bids;
- (g) Bid submission deadline;
- (h) Number of bid submission deadline extensions;
- (i) Bid submission deadline extensions (in days);
- (j) Bid validity period (in days) ;
- (k) Number of bid validity period extensions; and
- (l) Bid validity extension period (in days).

4.2.1.2 Evaluation and Award

Under broad category of evaluation and award, there are many sub-indicators mentioned below:

- (a) Record of public bid opening on file;
- (b) Bid opening date;
- (c) Bid evaluation report on file (y/n);
- (d) Bid security/ bid declaration on file (y/n);
- (e) Estimated contract amount from procurement plan;
- (f) Lowest evaluated bid amount;
- (g) Second lowest evaluated bid amount;
- (h) Awarded contract amount;
- (i) Type of contract;
- (j) Respected all other required NCB conditions; and
- (k) Performance security on file (y/n).

4.2.1.3 Contract Management

Under broad category of contract management, there are many sub-indicators mentioned below:

- (a) Delivery period as per awarded contract (in days);
- (b) Number of delivery period extensions;
- (c) Duration of delivery period extensions (in days);
- (d) Actual delivery period (in days);
- (e) Advance payment amount;
- (f) Percentage of goods delivered to date;
- (g) Contract amount paid as of date of PPR;
- (h) Average period from payment request to payment made (in days);
- (i) Number of complaints on file (in Bank complaints database or with Borrower);
- (j) Liquidated damages deducted from payments (y/n); and
- (k) Contract termination notice issued (y/n).

4.2.1.4 Physical Inspection

Under broad category of physical inspection indicator, there are many sub-indicators mentioned below:

- (a) Name and title of implementing agency representative at location;
- (b) Location of goods as per procurement plan (yes/no);

- (c) Country of origin of goods as per bid;
- (d) Delivery date;
- (e) Final acceptance date;
- (f) Warranty period completion date;
- (g) Put in use date;
- (h) Name of manufacturer;
- (i) Country of manufacturer;
- (j) Model/ catalogue number;
- (k) Overall quality of materials/ equipment versus technical specifications;
- (l) Quantities count as per contract;
- (m) Quantities count as verified;
- (n) Recorded defects/ deficiencies;
- (o) Inventory/ asset management records in use; and
- (p) Storage, packaging and distribution system in use (Pharmaceuticals & Perishable Goods only).

The above sub-indicators are considered as question and the reviewer will provide answer to them as “Yes” or “No” in the next column. According to the nature and depth of deviation, the type of deviation will appear in the next column as “Major” or “Minor”. The reviewer may have the option to degrade or upgrade the deviation type from Major to Minor or Minor to Major with sufficient explanation in the comments column of the table.

The summary of observations is posted under two main headings – (i) compliance with Bank Guidelines and procedures, and (ii) indicators of possible fraud and corruption present.

The details of review sheet are shown in **Annexure 2** of the dissertation paper.

4.2.2 Types of Observations

4.2.2.1 Major Deviations

Major deviations are considered those deviations observed in the review process which seriously affect the integrity of the implementing agency’s actions, violate the provisions of the loan agreement, or ignore the processes and procedures of the Bank’s Guidelines or the country

system including basic principles of procurement. Generally the consequences of major observations are to declare mis-procurement of the contract for which it is observed.

4.2.2.2 Minor Deviations

Minor deviations are considered those deviations observed in the review process which do not affect the integrity of the implementing agency's actions and it is merely a mistake in the processes and procedures. These deviations can be improved through training or other means taken by the implementing agency.

4.3 OBSERVATIONS IN PPR

4.3.1 Observations in PPR FY11

Out of 143 contracts, 36% contracts have major deviations. 55% contracts have only minor deviations and 9% contracts have no observations. The contracts those have major deviations may have minor deviations as well but these contracts are not considered in the calculation of minor deviations contracts. World Bank is mainly concerned with the major deviations and how these deviations could be reduced in future through dialogue, discussion, training and other means of communication or capacity building program. The pictorial presentation of the deviations by both contract number and contract value is given below.

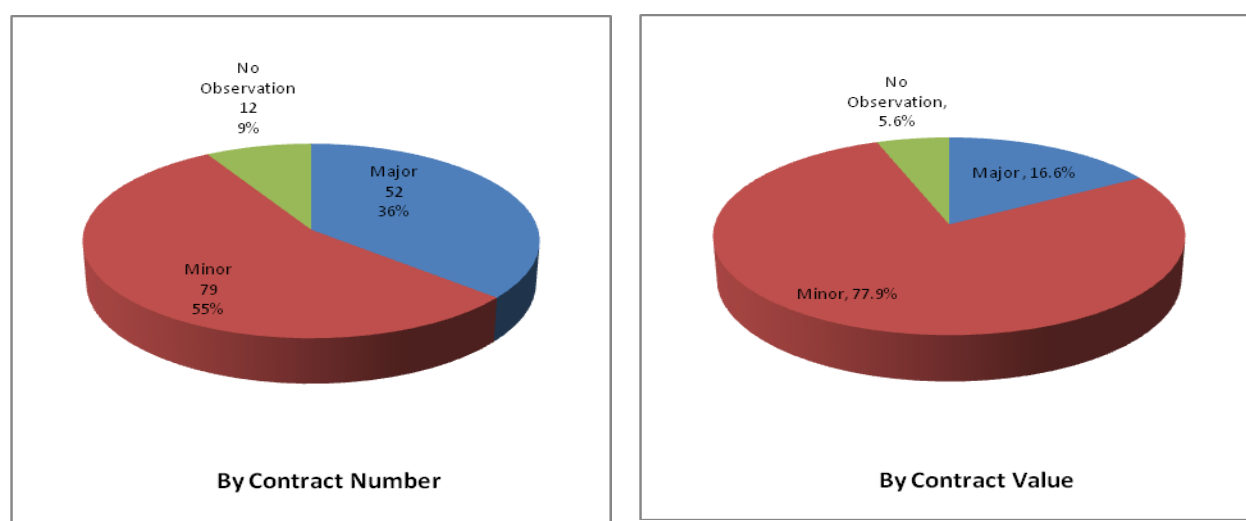


Figure 10: Observations in PPR FY11

Though the major deviations by contract number are 36% but in monetary terms, it is only 16.6%. It indicates that many contracts having major deviations are of small value contracts.

4.3.1.1 Major Deviations by Procurement Type in PPR FY11

Out of 143 contracts, 52 contracts have major deviations. In monetary terms, contracts worth of 16.6% of the total sample value is involved with major deviations. According to procurement type, the major deviations are observed in 46 goods contracts, 5 works contracts and 1 consulting services contract.

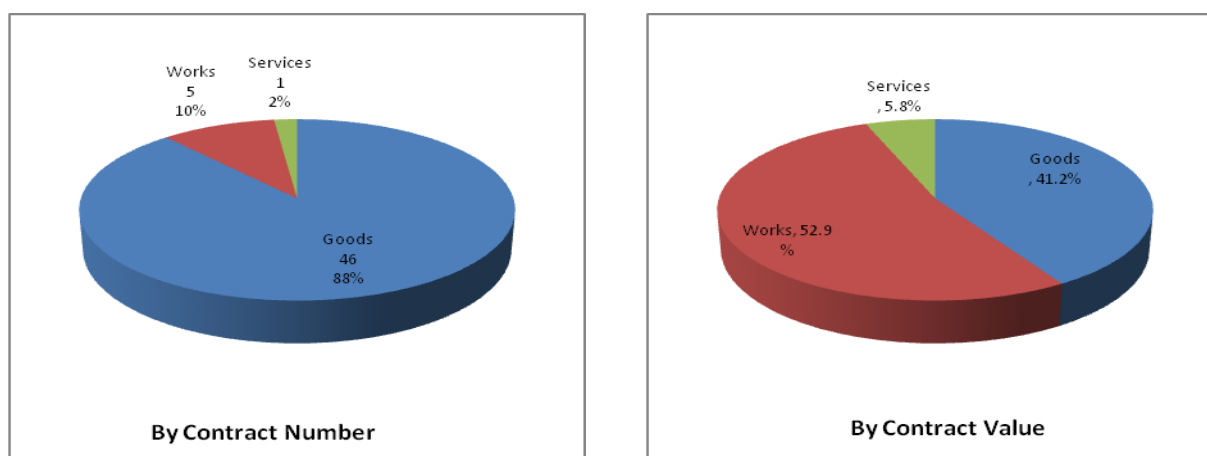


Figure 11: Major observations by Procurement Type in PPR FY11

Though major deviations by contract number in goods procurement represent 88% but in monetary terms, its representation is 41.2%. On the other hand, works contracts having major deviation represent 52.9% in monetary value but by contract number it is only 10%. Generally works contracts have larger amount compared to the value of goods contract. The basic difference in monetary terms between goods and works is that major goods contracts are procured through shopping method whereby the monetary value of each contract is maximum BDT 500,000 whereas works contracts through shopping method is very minimal. On the other hand, in NCB the value of works contracts is much larger than goods contracts. For example, in PPR FY11, 5 works contracts represent approximately 53% in monetary value.

4.3.1.2 Major Deviations by Procurement Method in PPR FY11

Out of 143 contracts, 52 contracts have major deviations. According to procurement method, the major deviations are concentrated to NCB and Shopping (or RFQ) method only. Major contribution to major deviations comes from the RFQ method. These contracts have lesser monetary value which is less than BDT 500,000 per contract. According to the number of contracts the major deviations in goods contracts are significant but less significant in monetary value and the reason is that most goods procurement through the RFQ method falls in major deviations.

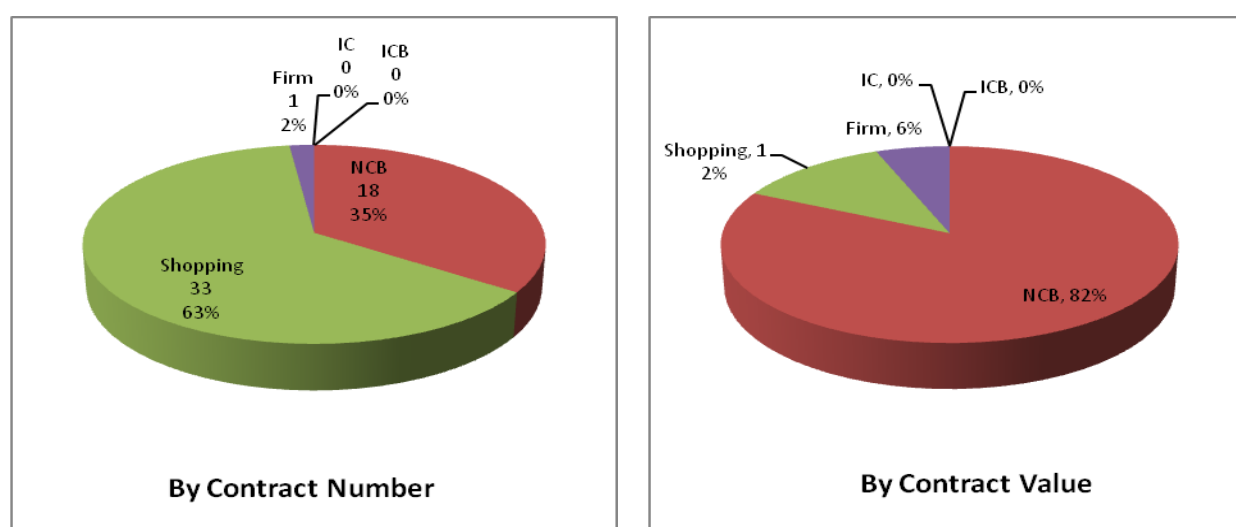


Figure 12: Major Deviations by Procurement Method in PPR FY11

However, in monetary terms, the contribution to major deviations is from NCB method which is 82% whereas shopping method contributes only 12%. According to the above figures, it is concluded that the contribution to major deviations is from NCB method by monetary value whereas shopping by contract number. Both goods and works contracts through NCB have higher monetary value.

4.3.2 Observations of PPR FY12

99 contracts are reviewed in FY12. Of which the number of contracts with major deviations is 23, approximately 23%. The contracts with minor deviations are 47, approximately 48%. In case of no observation, the number is 29, approximately 29%. In monetary terms, major

deviations represent 13%, minor deviation 56% and no observation 31%. It is noted that number of contracts having no observation has increased significantly from 9% (FY11) to 29% (FY12) and the number of contracts having major deviations has reduced from 36% (FY11) to 23% (FY12). There is significant improvement in procurement activities at the Implementing Agency level by frequent use of PPR.

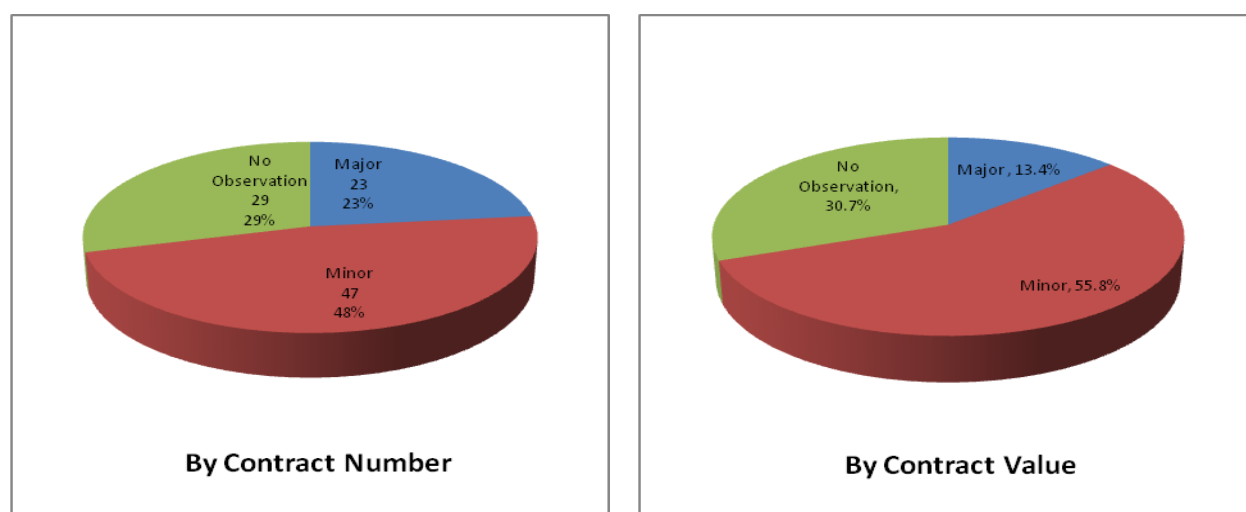


Figure 13: Observations in PPR FY12

In monetary terms, contracts with major deviations have 13.4%, minor deviations have 55.8% and no observations have 30.7%. Again considering value, no observation contracts have increased from 5.6% (FY11) to 30.7% (FY12), which is a significant improvement in procurement activities despite no significant improvement occurs in major deviations. In case of minor deviations, the situation is static.

4.3.2.1 Major Deviations by Procurement Type in PPR FY12

Out of 99 contracts, 23 contracts have major deviations, which is 23% of the sample size. According to procurement type, major deviations in goods contracts, works contract and services are 19, 3 and 1 respectively. It is clearly observed that goods contracts have most major deviation which is approximately 83% among the contracts having major deviations.

According to monetary value, major deviation of 19 goods contracts represents 71%, major deviation of 3 works contracts represents 24% and major deviation of 1 consulting services

contract represents 5%. This statistics is shown below in two charts – by contract number and by contract value.

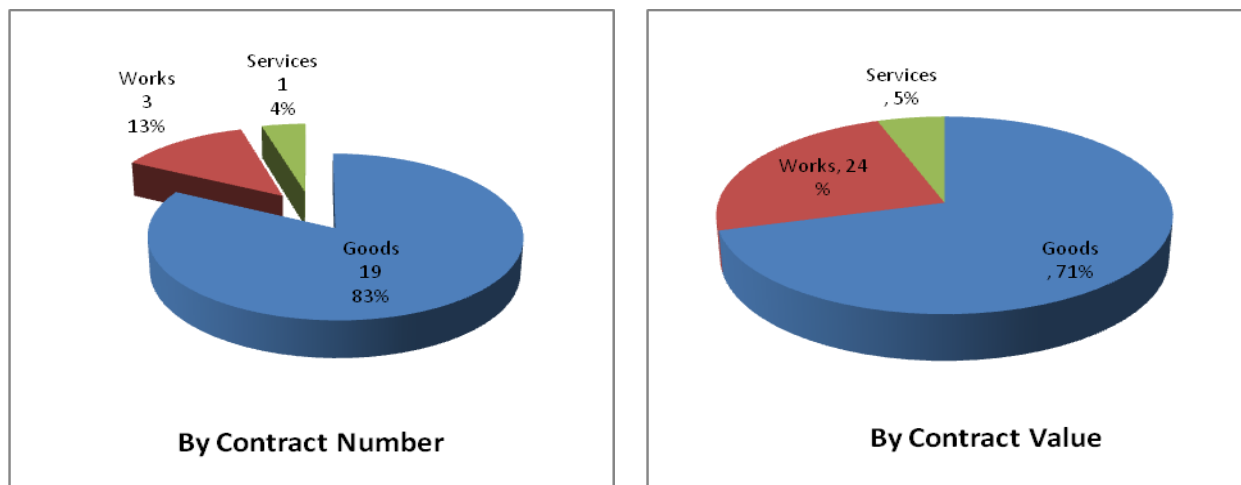


Figure 14: Major Deviations by Procurement Type in PPR FY12

4.3.2.2 Major Deviations by Procurement Method in PPR FY12

According to procurement method, the distribution of 23 major deviation contracts is as follows: (i) shopping contracts: 12 (52%), (ii) NCB contracts: 8 (35%), (iii) ICB contracts: 2 (9%), and (iv) service contract (firm): 1 (4%). According to contract number, most major deviations are observed under shopping method.

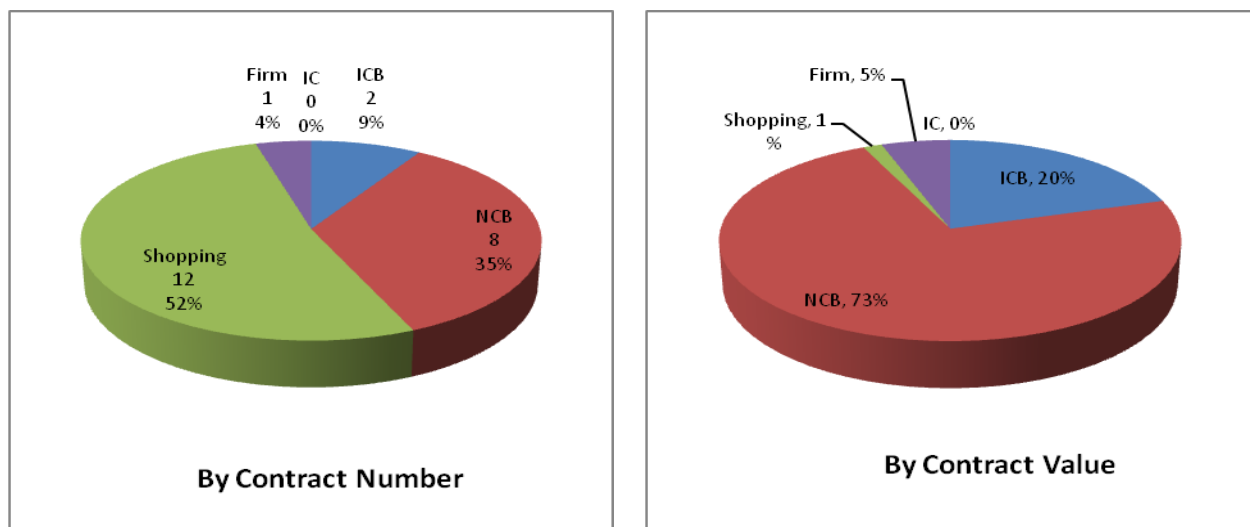


Figure 15: Major Deviations by Procurement Method in PPR FY12

According to monetary value, NCB has significantly higher representation (73%) in major deviation. 2 ICB contracts represent 20% in monetary value terms. By value, 12 shopping contracts represent approximately 1.5%, which is very minor impact on procurement activities or decision making level.

4.3.3 Observations of PPR FY13

Out of 90 contracts, 12 contracts have major deviations. 31 contracts have minor deviations and 47 contracts have no observations. It is noted that number of contracts having no observation has increased significantly from 9% (FY11) to 52% (FY13) which is significant improvement in procurement activities in the Implementing Agency level. Similarly, the number of contracts having major deviations has reduced from 36% (FY11) to 13% (FY13). The reduction of contracts having major deviation is gradual over the three years and the trend of reduction is improving significantly. There is also reduction in contracts having minor deviation only.

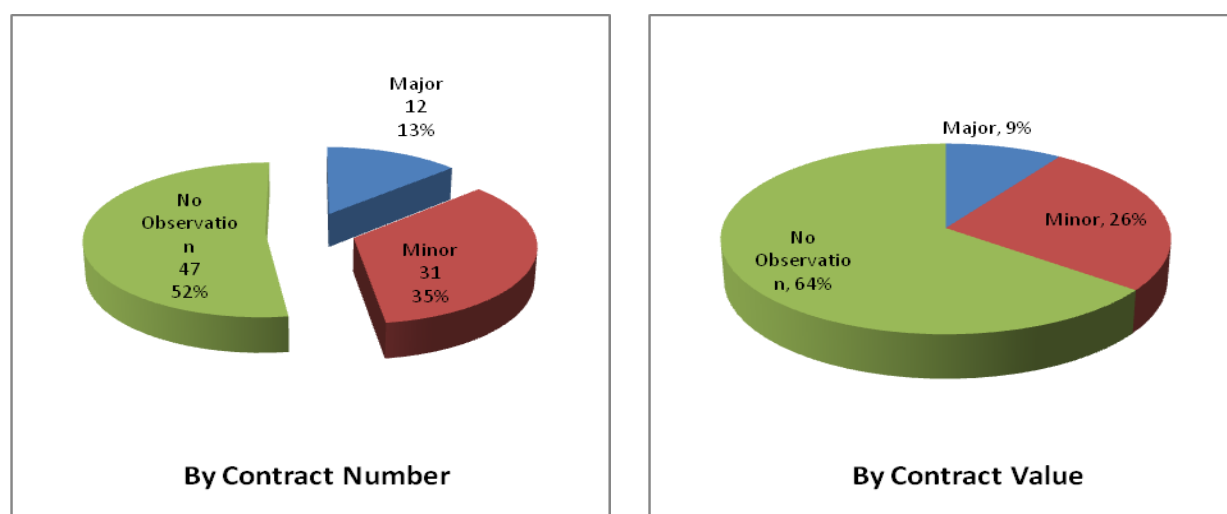


Figure 16: Observations in PPR FY13

In monetary value, major deviations represent 9.4% of the sample value, minor 26.1% and no observation 64.5%. It appears that major deviations have been reduced significantly over time due to continuous review of projects. On the other hand, the value of contracts with no observation is more than 64%, i.e. nearly 2/3 of the sample value.

4.3.3.1 Major Deviations by Procurement Type in PPR FY13

In PPR FY13, the number of contracts having major deviations is 12. These twelve contracts comprise of six goods contracts and six works contracts. No contract with major deviation falls under service category. According to monetary value, major deviations in 6 goods contracts represent 19% value whereas 6 works contracts represent 81% value. Though by contract number the ratio between goods and works contracts is 50% but by value the works contracts represent 81% among the value of the major deviated contracts. The major deviated contracts represent only 9% of the total sample value undertaken in PPR FY13.

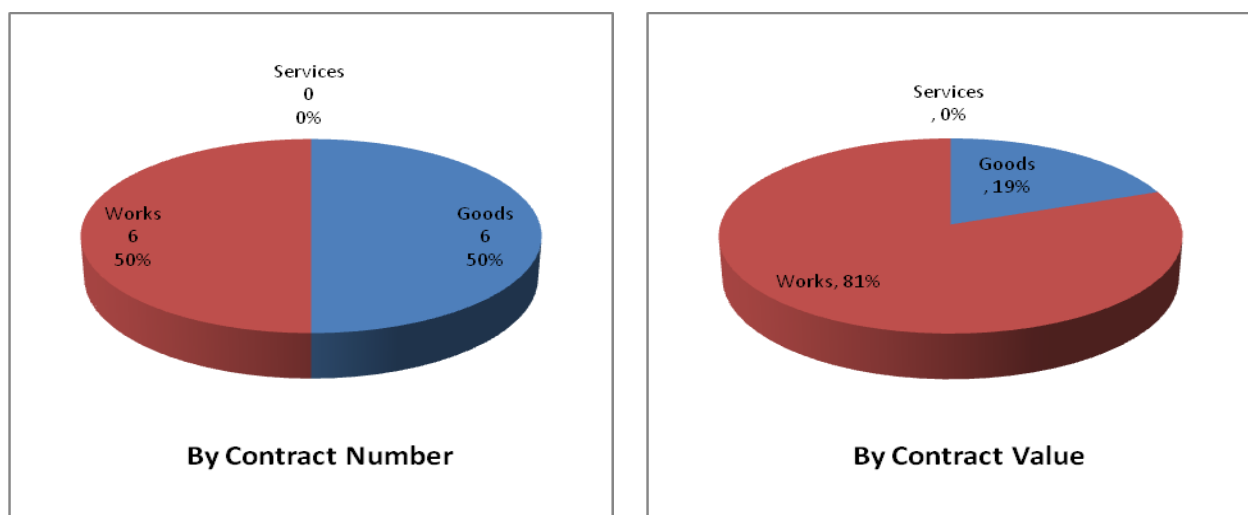


Figure 17: Major Deviations by Procurement Type in PPR FY13

4.3.3.2 Major Deviations by Procurement Methods in PPR FY13

According to procurement methods, major deviations are observed in NCB and shopping methods in PPR FY13. Contracts with major deviations are not observed under other methods of procurement. The number of contracts having major deviations under shopping method has been reduced significantly this year. Only 2 contracts have major deviations (under shopping method) out of 15 contracts reviewed. The chronic problems with shopping method observed in FY11 and FY12 seem to be reduced. At least the Implementing Agencies have been streamlined in the procurement under shopping method. The common mistakes under shopping method have been reduced significantly. Asking quotations from the same group of bidders and collusive practice among bidders in submitting quotations are eliminated a lot in subsequent years.

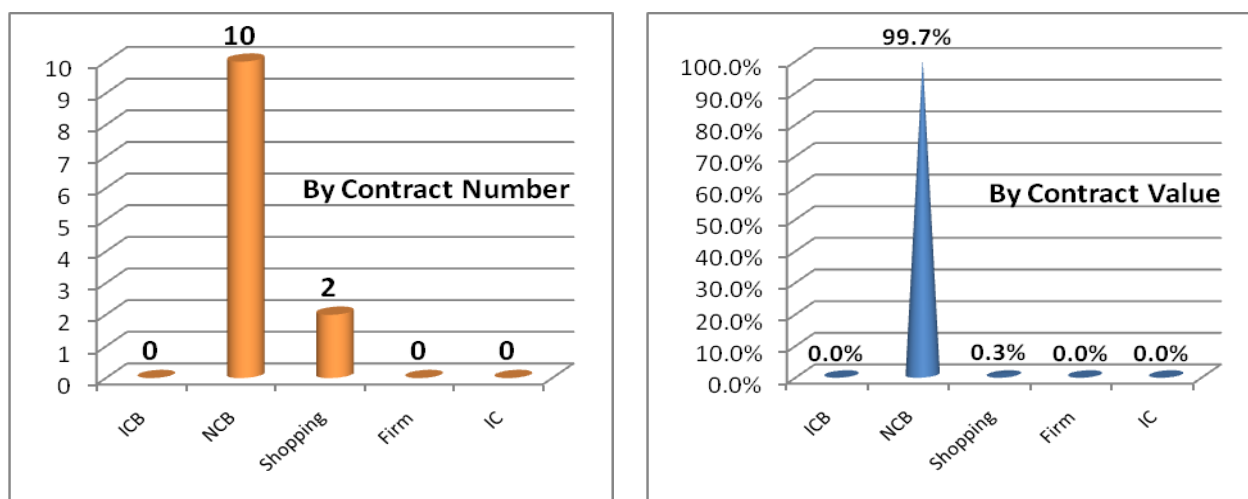


Figure 18: Major Deviations by Procurement Methods in PPR FY13

According to monetary value, the contracts having major deviations under NCB method are significant. It is approximately 99.7%. The contracts having major deviations under shopping method in value terms are less than 1%.

4.3.4 Comparison of Observations

It is observed that major deviations and minor deviations in contracts are decreasing over time. On the other hand, the contracts without observation are increasing.

Table 5: Comparison of Observations in PPRs

Period	Major Deviation	Minor Deviation	No Observation
PPR FY11	36%	55%	9%
PPR FY12	23%	48%	29%
PPR FY13	13%	34%	53%

Source: Analysis by Author

There is a linear relationship of reduction of observations as seen from the below chart. Similar tendency is seen in 'No Observation' contracts, but it is upward. It is noticed that over three years the number of contract without observation is reached slightly over 50%. This is a significant improvement in procurement post review. This analysis is based on the number of contract having observation.

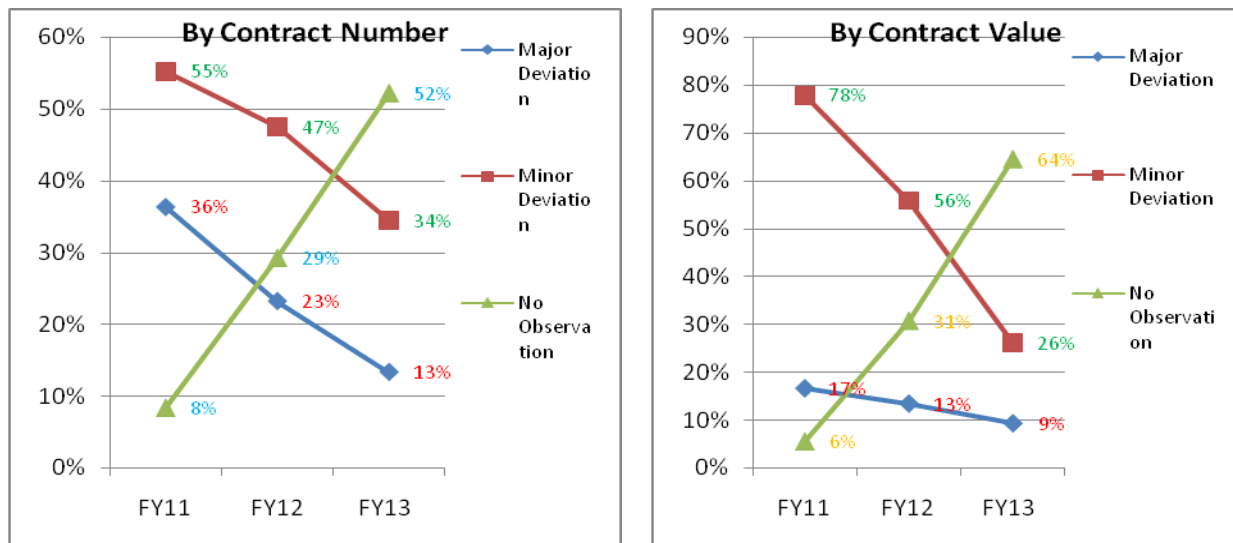


Figure 19: General Trend of Deviations in PPRs

According to monetary value involved in the contract, the trend of observation is still linear but has almost flat slope in reduction of major deviations. In minor deviations, it is close to linear slope in decrease of number of observation over time. The general trend of increasing or decreasing of similar type of observation is almost similar whatever the data in respect of contract number or contract value is considered in analysis.

4.4 CATEGORIZATION OF PPR OBSERVATIONS

Based on the PPR template and indicators, observations are categorized into three broad headings. These are:

- (a) Observations related to PIU capacity;
- (b) Observations related to procurement process; and
- (c) Observations related to contract management.

The types of observations found in the last three years of procurement post review are about 32. The distribution of observations is given below:

PIU Capacity Related Observations:

- (1) Splitting of contract package

- (2) Procurement beyond procurement plan
- (3) Inappropriate procurement type/method
- (4) Rebidding without approval
- (5) Exceeding annual limit of RFQ
- (6) Lack of documentation
- (7) No fixed asset register
- (8) Shorter bidding period

Procurement Process Related Observations:

- (1) Apparent fraud and corruption
- (2) Inappropriate bid evaluation
- (3) Incomplete bid evaluation
- (4) Sequential bid securities number
- (5) Faulty performance security
- (6) Inappropriate opening of bid/quotation
- (7) Delayed in contract signing
- (8) Low bid submission
- (9) Restrictive technical specifications
- (10) Quotation process by violating Rules
- (11) Quotation evaluation by violating Rules
- (12) Made non-responsive unduly
- (13) No verification of bid securities
- (14) Price correction not informed to bidders

Contract Management Related Observations:

- (1) Inferior goods supplied
- (2) Unrealistic contract time extension
- (3) Unrealistic contract variation
- (4) Unrealistic progress payment
- (5) Delay in delivery/completion
- (6) LD not imposed
- (7) Delay in payment

- (8) Payment by violating contract provision
- (9) Non-issuance of completion certificate
- (10) Excess payment made

The observations are categorized into three broad headings in order to assess the riskiness of the project and the level of monitoring to be imposed to the project to improve the capacity of the project or the Implementing Agency. This is also done to reduce/ mitigate risk in project and pinpoint the capacity building program for the implementing agency.

4.4.1 Observations in PPR FY11

In PPR FY11, total observations are 348 in 143 contracts in 28 categories of observations. The number of observations shown above consists of major deviations as well as minor deviations. A contract may have no observation or both major and minor observation or only minor observation or more than one observation. Project-wise total observations are shown in the chart below. The chart also shows the number of contracts reviewed under each project. The chart gives us an indication of number of observations per contract reviewed, though this is not shown exactly.

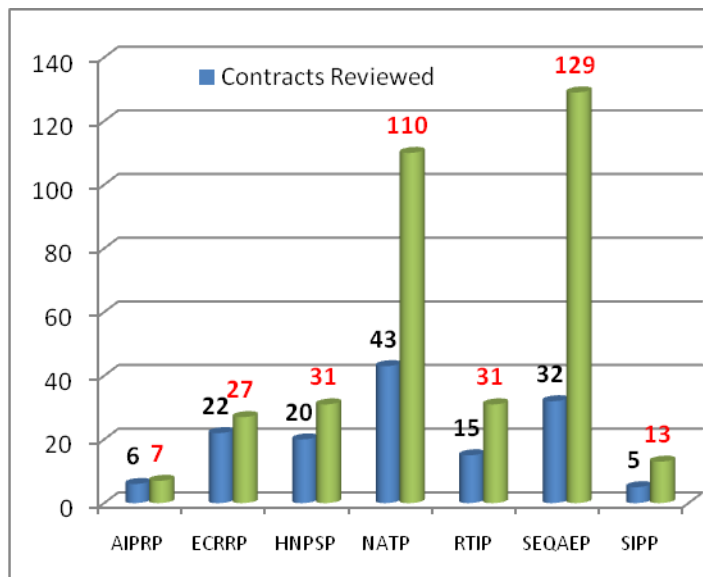


Figure 20: Project-wise Observations in PPR FY11

Most observations are generated from the contracts of SEQAEP and NATP. There are contracts without any observation and the number of such contracts in PPR FY11 is 12 out of 143 contracts reviewed. It is noted that in each project the number of observations is more than the number of contracts reviewed. This indicates that each contract has more than one observation.

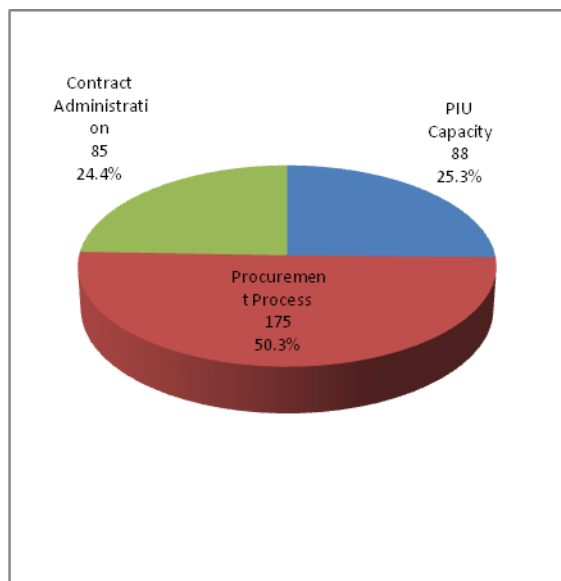


Figure 21: Observations in Broad Areas in PPR FY11

Observations whether major or minor are grouped into the above three board areas. It is viewed that most observations fall under the procurement process stage. It is almost half of the total observations. It is also important that observations related to PIU capacity are significant and it is about 25%. Another 25% observation is related to contract administration and management. The whole process from bid notice publication to contract signing is involved with procurement process.

4.4.1.1 PIU Capacity Observation in PPR FY11

Total observations related to PIU capacity in PPR FY11 are 88. Of which 70 observations are found in Secondary Education Quality and Access Enhancement Project (SEQAEP), a project in the education sector. This project alone produces almost 80% observations in this category.

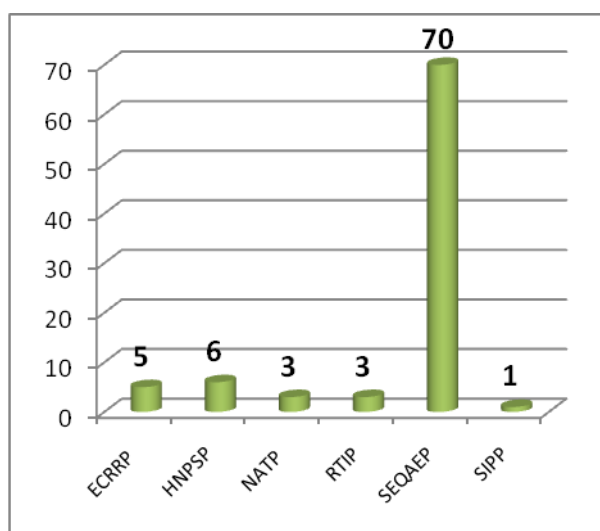


Figure 22: Observations in PIU Capacity in PPR FY11

The fact that SEQAEP splits two NCB packages into 23 shopping packages. This results in the increase of the number of observations in PIU capacity. The other reasons are that the Implementing Agency did not follow the process and procedures of the shopping method or request for quotation method under the Public Procurement Rules, 2008. The whole process was in violation of procurement method.

4.4.1.2 Procurement Process Observation in PPR FY11

In PPR FY11, most observations fall under this category. It is 175, approximately 50% of the total observations in PPR FY11.

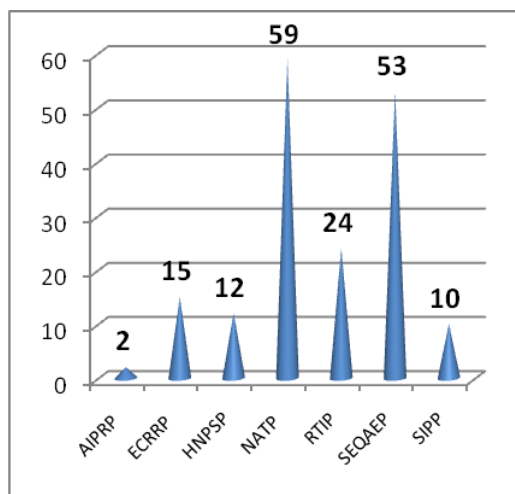


Figure 23: Observations in Procurement Process in PPR FY11

Significant number of observations is generated from NATP, SEQAEP and RTIP. Most observations in SEQAEP are from shopping method. The observations of NATP encompass both shopping and NCB methods, though the maximum observations from shopping method. However, the observations from RTIP are completely related to NCB method. It is noted that almost all projects have problems in procurement process.

4.4.1.3 Contract Management Observation in PPR FY11

Total observations in contract administration/management are 85. Of which the major contributor is the National Agricultural Technology Project (NATP). The share is more than 50%. The project is carried out by several agencies – BARC, DAE, HORTEX, KGF, DLS, DoF and PCU.

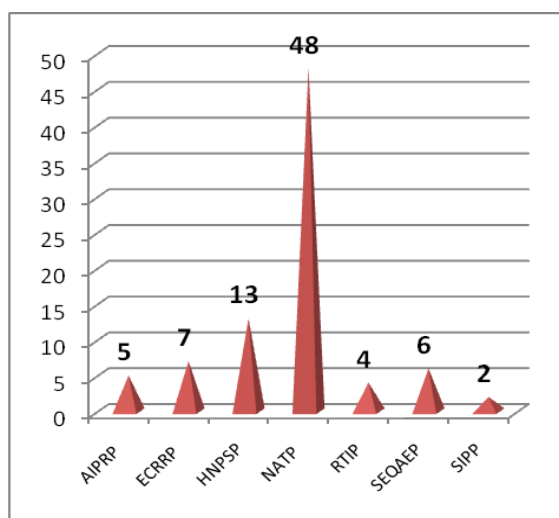
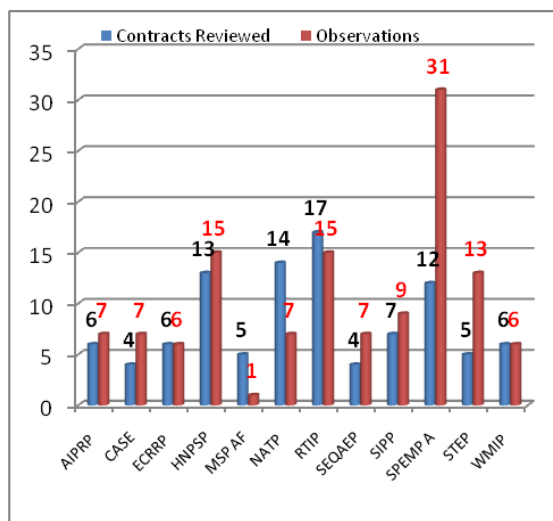


Figure 24: Observations in Contract Management in PPR FY11

The other projects also have observations under this category. HNPS is carried out several agencies. Of them three agencies carry out almost 95% of the procurement of this project. These three organizations are professional procurement entity - Central Medical Stores Depot (CMSD), Health Engineering Department (HED) and Director General of Family Planning (DGFP). Second largest observations are from HNPS. This should not be happened.

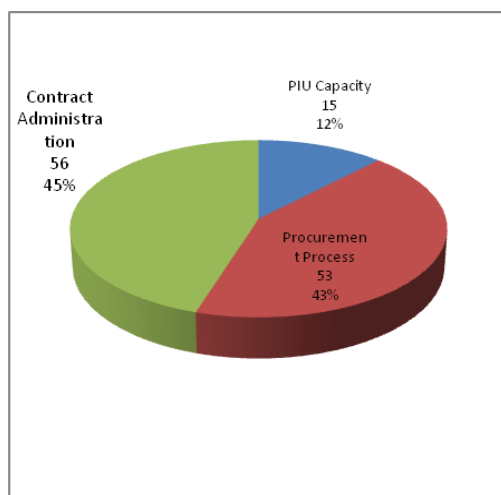
4.4.2 Observations in PPR FY12

Total number of observations in PPR FY12 is 124 out of 99 contracts reviewed. New projects come under procurement post review this year are MSP AF, SPEMP A and STEP. The number of observations is lesser than the number of contracts reviewed under MSP AF, NATP and RTIP. In PPR FY11, the number of observations per contract in NATP and RTIP was more than twice. This year the number of observations has been reduced significantly in NATP and RTIP, especially less than one per contract reviewed. It is observed that the number of observations against the number of contracts reviewed is significantly higher in SPEMP A and STEP compared to other projects conducted post review this year.



The number of observations is more than the number of contracts reviewed in AIPRP, CASE, HNPS, SEQAEP, SIPP, SPEMP A, and STEP. The number of observations and the number of contracts reviewed are equal in ECRRP and WMIP. The number of observations is lesser than the number of contracts reviewed in MSP AF, NATP and RTIP. Obviously the good performance is in MSP AF, where only one observation is found in five contracts.

Figure 25: Project-wise Observations in PPR FY12



The 124 observations are distributed to three broad areas as follows: (i) PIU (12%), (ii) Procurement process (43%) and (iii) Contract administration (45%). Observations in PIU capacity have been reduced to 12% from the last year observation of 25%. This is a significant improvement in PIU capacity. But the major concern is that the number of observations is increased in contract administration this year compared to the number of observation in previous year of the same group.

Figure 26: Distribution of Observations in Broad Areas in PPR FY12

As a result of post review, the number of observations in PIU Capacity is significantly reduced from the previous year. Observations related to procurement process and contract management are evenly distributed.

4.4.2.1 PIU Capacity Observation in PPR FY12

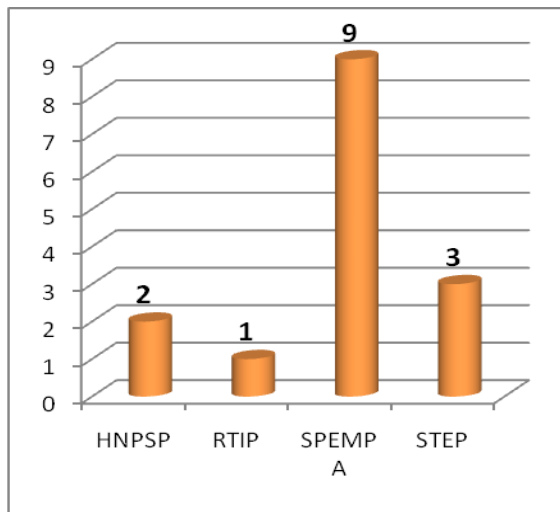


Figure 27: PIU Capacity Observations in PPR FY12

Observations related to PIU capacity are found in 4 projects out of 12 projects reviewed in PPR FY12. According to project-wise observations, most observations are from SPEMP A, which portion is 60%. The reason is that this project is reviewed first time under PPR. Similarly significant observations are also from STEP. This is also reviewed first time under PPR. However, significant improvement is observed in HNPSP and RTIP.

4.4.2.2 Procurement Process Observation in PPR FY12

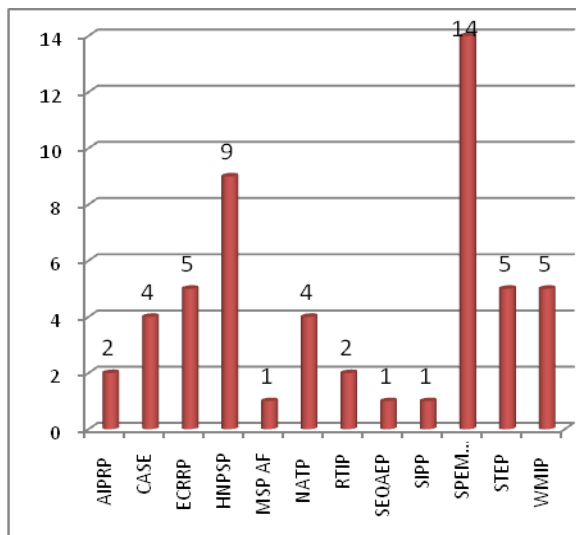
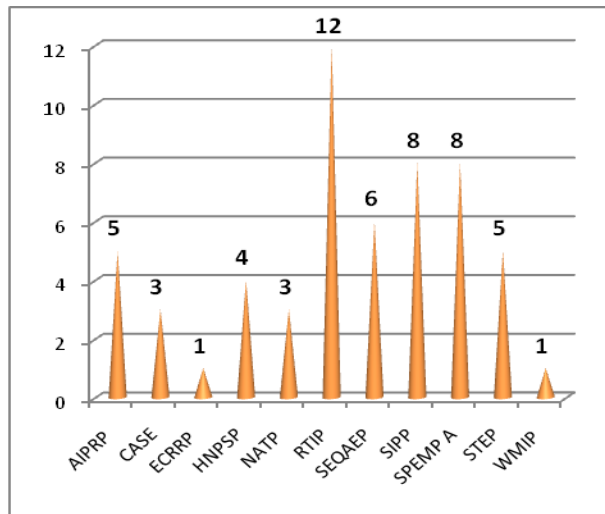


Figure 28: Procurement Process Observation in PPR FY12

Total observations in this broad area are 53, approximately 43%. By number it is mostly observed in SPEMP A, HNPSP, ECRRP, STEP, WMIP and CASE. All other projects have minimum observation which could be acceptable if the observation does not fall under major deviation category. It is observed that every project has some observations in this category. However, the concentration of observation per project is less compared to previous year.

4.4.2.3 Contract Administration Observation in PPR FY12

Observations in contract administration category are 56 in PPR FY12, which is approximately 45% of the total observations. The number of observations under this category is significantly increased from the previous year.



According to the left side chart, RTIP has significant number of observations in this category. This is a decentralized project. Procurement activities are carried out in district and upazila levels. The observations in other projects are also high. Only moderate observation is seen in ECRRP and WMIP where only one observation is identified. The observations under these two projects are minor in nature.

Figure 29: Contract Administration Observation in PPR FY12

4.4.3 Observations in PPR FY13

After review of 90 contracts from 11 projects, the reviewer finds out 68 observations including major deviations and minor deviations. In AIPRP, CASE, SEQAEP, SIPP and STEP the number of observations is more than the number of contracts reviewed. In other six projects the number of observations per contract is less than one. This gives an indication that over time the number of observations has been reduced in projects where procurement post review is frequently occurred. However the overall impact of procurement post review has reduced the number of observations in procurement activities. If we consider the observation per contract as prime indicator, obviously it is less than one in PPR FY13 whereas in PPR FY11 it was two and half times.

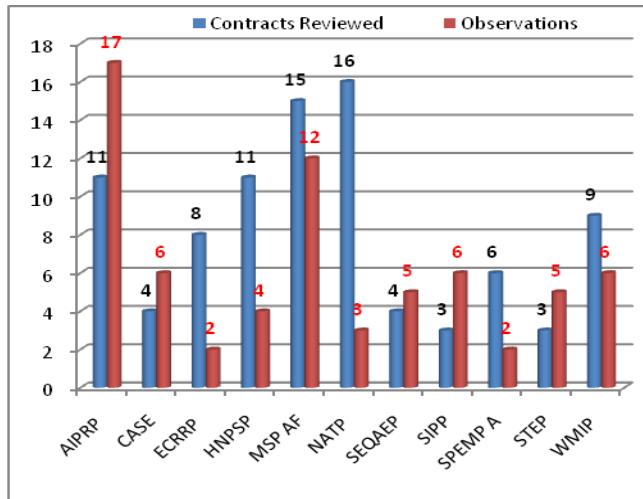


Figure 30: Project-wise Observations in PPR FY13

From the chart it is observed that in AIPRP the number of observations is more than the number of contracts reviewed. There is large number of observations in PPR FY13 compared to other two years. The project was in closure position in PPR FY13. The project was reviewed in two different times following complaints from the bidders.

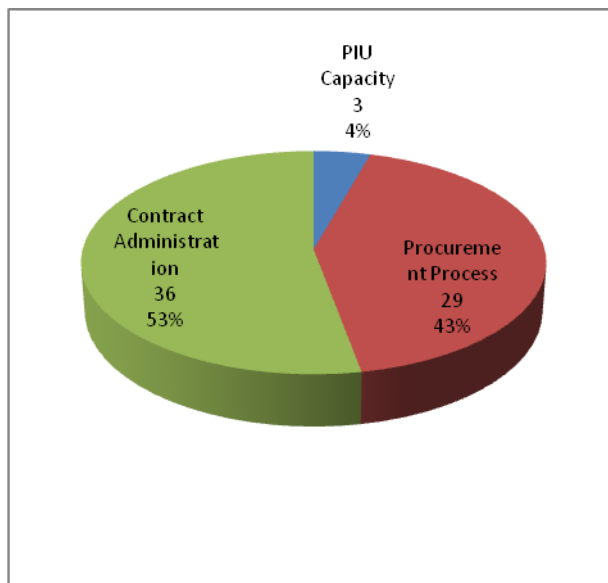


Figure 31: Distribution of Observations in Broad Areas in PPR FY13

In PPR FY13, the number of observations in broad areas is: PIU Capacity (4%), Procurement Process (43%) and Contract Administration (53%). The number of observations in PIU Capacity has been reduced significantly. This year its share is only 4% out of 68 observations. However, observations in procurement process and contract management are more or less unchanged compared to the previous year.

4.4.3.1 PIU Capacity Observation in PPR FY13

Observations related to PIU Capacity are found only in STEP and WMIP. There is significant improvement in this area in other projects. This is the gradual improvement in procurement activities in the Implementing Agency level.

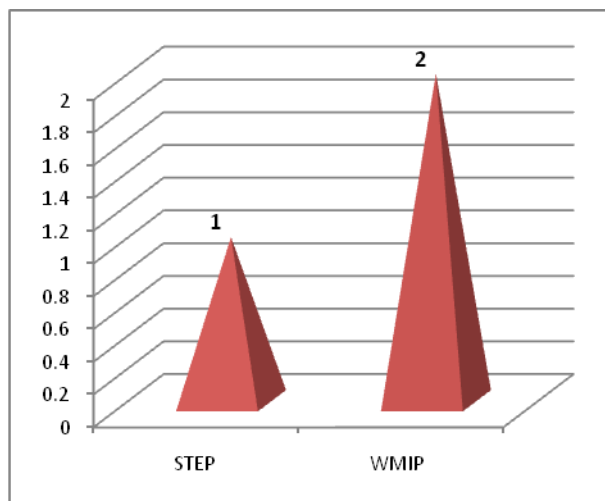


Figure 32: PIU Capacity Observation in PPR FY13

The observations arising from the Water Management Improvement Project (WMIP) is due to the fact that the procurement post review is first time conducted in Water Resources Planning Organization (WARPO) over the last three years. These two observations are basically from WARPO, though these are minor in nature.

4.4.3.2 Procurement Process Observation in PPR FY13

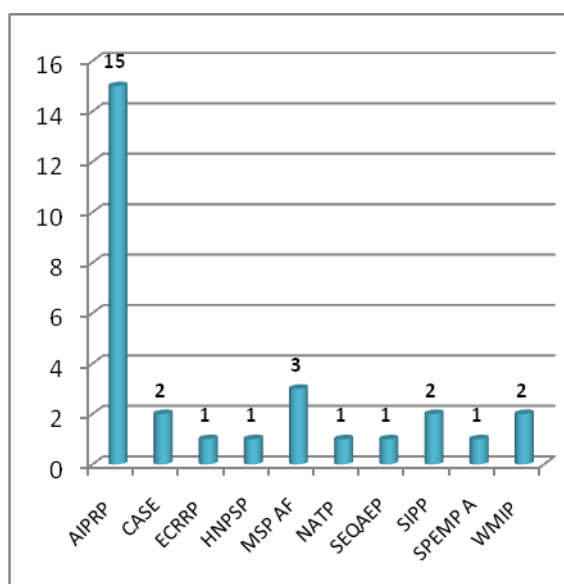


Figure 33: Procure Process Observation in PPR FY13

Except AIPRP, observations related to procurement process are more or less acceptable limit provided these observations do not fall under major deviations. In AIPRP, this observation is significantly high. Out of 29 observations, its contribution is more than 50%. However, the observations in other projects are not so much significant. AIPRP, CASE, MSP AF, SIPP and WMIP have major deviations in this category. Though there is lesser number but the impact is very high.

4.4.3.3 Contract Management Observation in PPR FY13

More than 50% observations are found in this category. In FY12 and FY13, the number of observations is increasing compare to decreasing of observation in other two broad areas. It is

observed that MSP AF has more observations compare to other projects. Its contribution is about 25%. It is also observed that there is no significant improvement in this area.

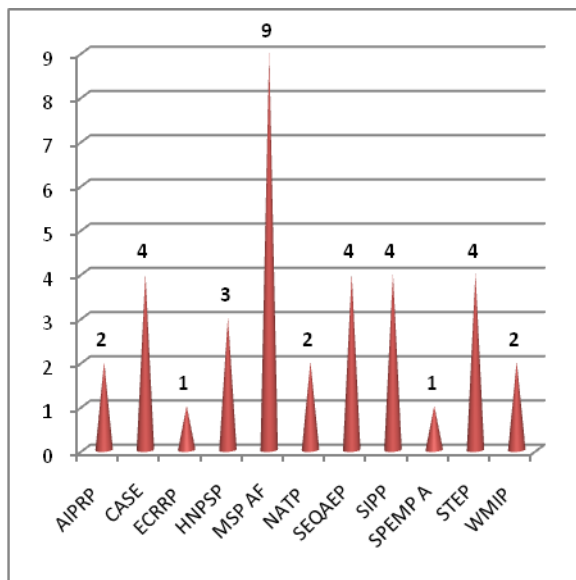


Figure 34: Contract Management Observation in PPR FY13

Though the general tendency is the increase of number of observations in this category, but the impact of those observations is less in terms of risk mitigation. The major problems in contract administration are delay in delivery/completion, delay in making payment and not imposing liquidated damages due to delay in delivery/completion of contract performance. But delay in delivery/completion is very critical when the essence of time is important.

4.4.4 Comparison of Observations and Trend Analysis

Observations in procurement post review during FY11, FY12 and FY13 are compared to the number of contracts reviewed. Different types of comparison are given below in graphical presentation. It is noted that the number of observations in post review is decreasing over time for the projects which are continuously reviewed by external Bank's auditor(s). Observations per contract in PPR FY11 are 2.43 whereas this figure in PPR FY13 is 0.76. When these points are plotted on graph, the trend is found linear and has a negative slope. The negative slope indicates that the review process brings improvement in the agencies about reduction of observations during procurement process. Less observation means that the procurement process is in good track and the procurement risks are at minimum level.

The comparison in broad category shows that there is significant improvement in PIU Capacity. Little improvement is observed in procurement process over the period of three years. However, there is deterioration in contract management. In PPR FY11, the observations related to contract management are 24.4% whereas in PPR FY13 it is 52.9%. The reason is probably that contract management issues are not carefully reviewed in PPR FY11 rather than in subsequent years.

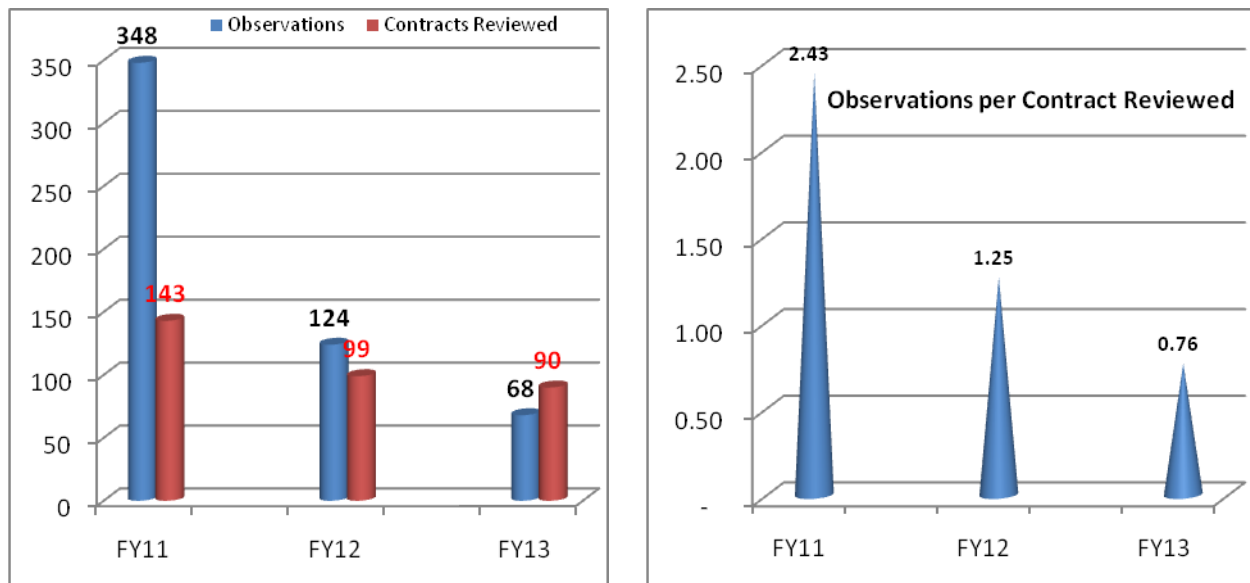


Figure 35: Comparison of Observations in PPR FY11, FY12 and FY13

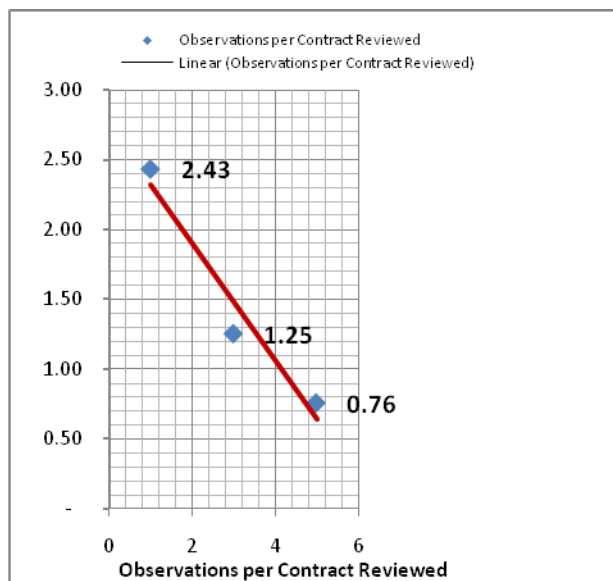


Figure 36: Trend Analysis of Observations in Last Three Years

Number of observations is plotted in the graph and then draw trend in logarithmic scale. As a result we get the left hand chart. The trend is very clear that the number of observations is decreasing linearly over the last three years. The review is done yearly basis. If the review can be done twice a year, then the result could be improved significantly, as the Implementing Agency would be very cautious about their decisions and actions on the procurement activities.

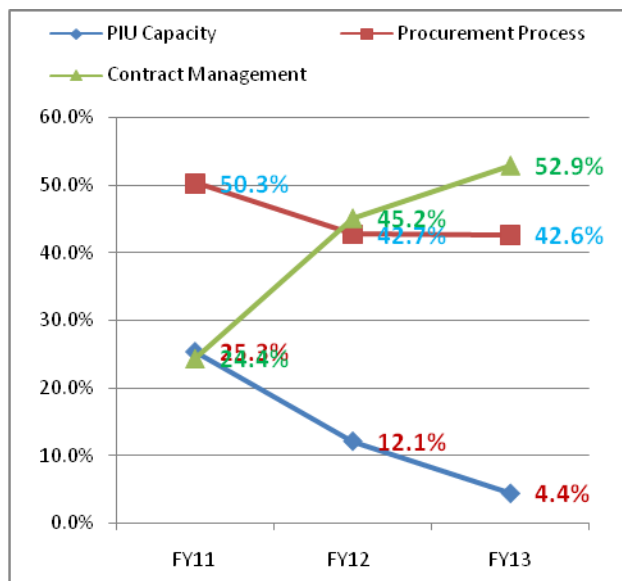


Figure 37: Trend Analysis of Observations in Broad Areas (FY11, FY12 and FY13)

4.5 PROJECT-WISE OBSERVATION ANALYSIS

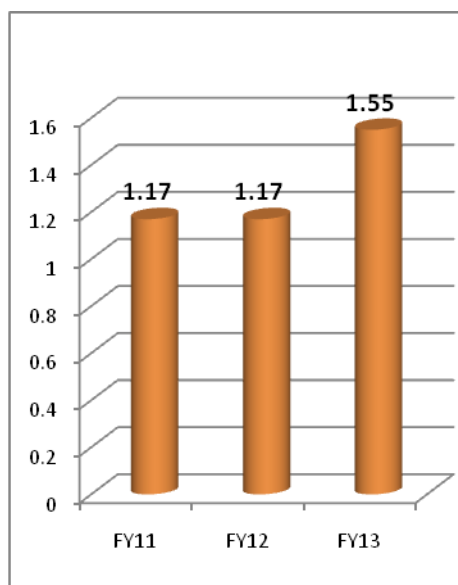


Figure 38: Project-wise Observation per Contract – AIPRP

Number of observations in PIU capacity, procurement process and contract management is plotted for FY11, FY12 and FY13. From the chart it is observed that observations in PIU capacity are decreased from 25.3% to 4.4% gradually over the last three years. Similarly observations in procurement process are also decreased but the rate is not steeper. But the reverse fact is occurred in contract management. It is increasing.

Avian Influenza Preparedness and Response Project was reviewed in FY11, FY12 and FY13. The overall trend is decreasing observations due to the effect of procurement post review in agency level. But this trend is not reflected in AIPRP. The project is closed in December 2012. The number of observations in FY11 and FY12 is almost unchanged whereas in FY13 it is increased significantly. The probable reasons to the increased observations in last year are the closing of the project and the implementation of as much contract as possible. This urgency results in more observations in all areas of procurement and contract management as in most cases, the project staff could not manage the procurement process following the rules and regulations.

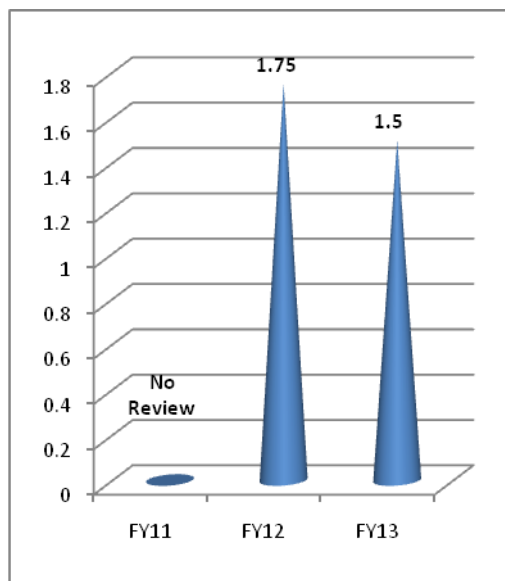


Figure 39: Project-wise Observation per Contract – CASE Project

CASE project was not reviewed in PPR FY11. The project was first time reviewed in FY12 and subsequently in FY13. The project is carried out by three implementing agencies. In FY12, all three agencies were under review. In FY13, only one agency was reviewed. However, the observations per contract are 1.75 and 1.5 in FY12 and FY13 respectively. Though the number of observations is decreasing but it cannot be concluded that this is the effect of procurement post review at agency level.

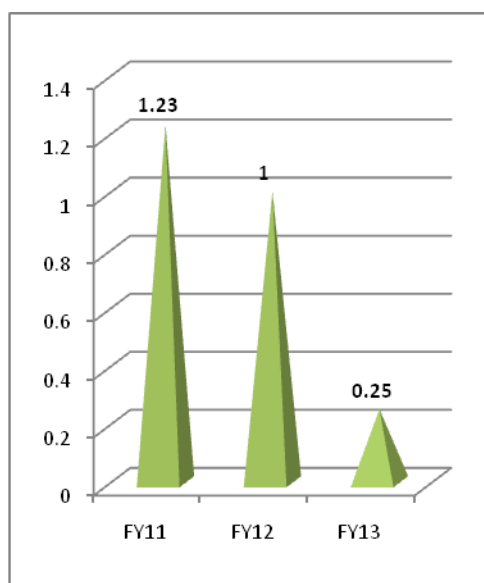


Figure 40: Project-wise Observation per Contract – ECRRP

ECRRP is carried out by four implementing agencies. In FY11, all four agencies were reviewed. But only one agency (i.e. LGED) was reviewed in FY12 and FY13. The statistics shows that as a result of post review the number of observations is decreasing over time. It is noted that in the last two years, the observations per contract reviewed is decreased from 1 to 0.25. This is a significant improvement in LGED under ECRRP. It is evident that the agency has learned a lot from the post review and eliminated most of its deficiencies in procurement process and contract management which occurred earlier.

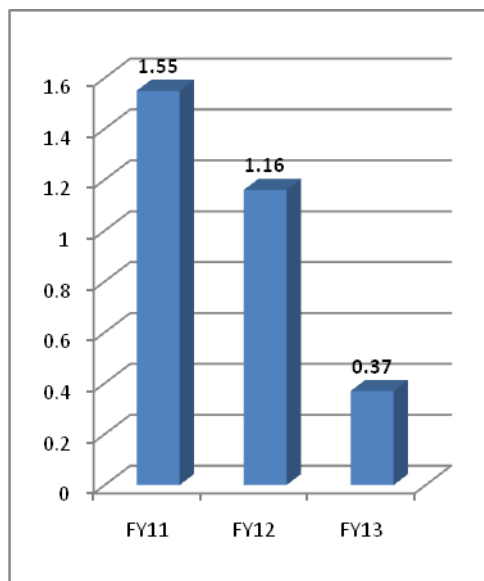


Figure 41: Project-wise Observation per Contract – HNPSP/ HSDP

HNPSP is carried out many implementing agencies. However, three agencies were reviewed in FY11 and FY12 and two agencies in FY13. The observations per contract are decreasing over time and this reduction of observation per contract is reduced significantly from 1.55 to 0.37 during FY11 and FY13 respectively. It is noted that the impact of post review brought positive result in procurement process.

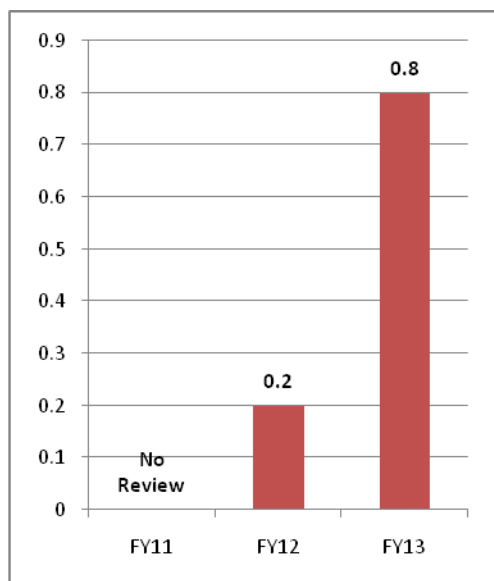


Figure 42: Project-wise Observation per Contract – MSP AF

Municipal Services Project is carried out by BMDF as financial intermediary but the actual project activities are carried out by municipalities located in different parts of Bangladesh. The procurement capacity in municipality level is not prominent and BMDF provides technical support in reviewing procurement activities in various stages like a prior review contract under Bank's Guidelines. Though by number the observation is increasing but it is due to the fact that in the last year the agency awarded large number of contracts but due to time constraint in completion of civil works, both municipals and contractors failed to complete the activities and these resulted in many observations due to failure of completion of contracts by due date and the delay in payments.

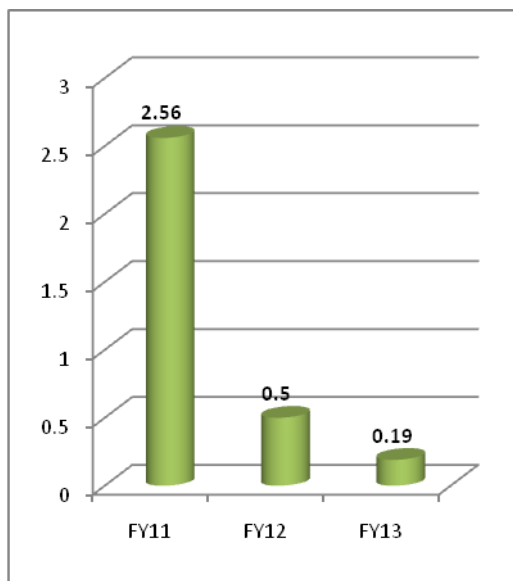


Figure 43: Project-wise Observation per Contract – NATP

The project is carried out by seven implementing agencies. All seven agencies were reviewed in PPR FY11. But in FY12 and FY13, five agencies were reviewed. It is observed that the number of observations per contract is decreasing over time. It is reduced from 2.56 to 0.19 in FY11 and FY13. It is the impact of the post review. The post review significantly improved the procurement activities of the agencies. Most observations occurred in earlier procurement were completely eliminated in subsequent years. The agencies learned a lot from the post review and the learning was reflected in subsequent procurement.

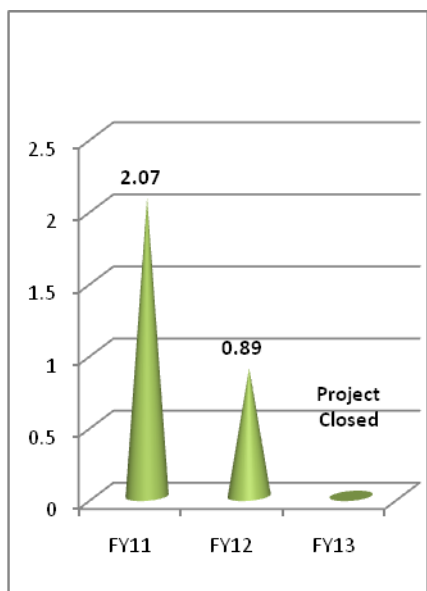


Figure 44: Project-wise Observation – RTIP

The procurement activities carried out under the project are undertaken by the district and upazila offices of LGED including contract administration. In FY11, there were significant observations in the post review, as evidenced from the graph. However, the findings of the PPR were shared with the implementing agency and there was a great achievement in improvement in the next year. In FY12, some of the offices undertaken in FY11 were again taken as sample to observe the effectiveness of PPR. It is observed that there is significant improvement in reducing observations in procurement process and contract administration. That is why the number of observations per contract was reduced from 2.07 to 0.89 in FY12 from FY11.

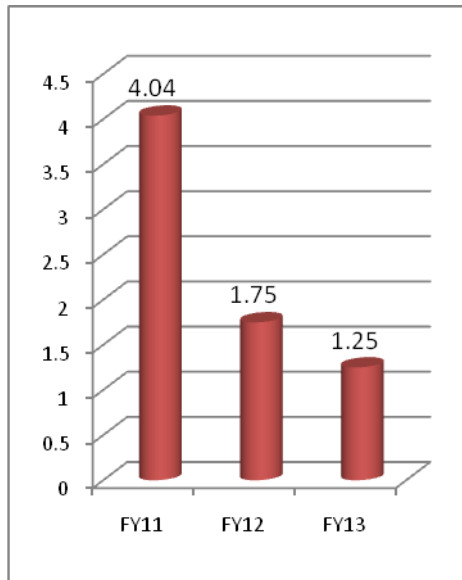


Figure 45: Project-wise Observation per Contract – SEQAEP

This is an education project administered by Directorate of Secondary and Higher Education. In FY11, there were significant problems in procurement process of the project. The basic problems lie with violation of procurement rules, guidelines and involvement of fraud and corruption practices. However after sharing the observations of PPR with the implementing agency and taking some precautionary measures, the agency has improved in their procurement process. The problems that faced earlier have been removed gradually in subsequent procurements. As a result, the number of observations has been reduced significantly in subsequent years. Though the success rate is not similar to other organizations. It is because of capacity issue.

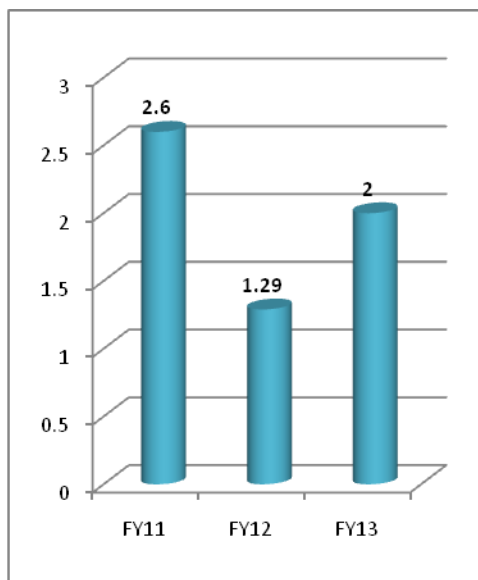


Figure 46: Project-wise Observation per Contract – SIPP

According to the number of observations per contract in the last three years, it is very difficult to measure the effect of procurement post review impacted on the organization. Though there is reduction in the number of observations in subsequent years but this reduction does not have any significance on the procurement activities carried out by the implementing agency.

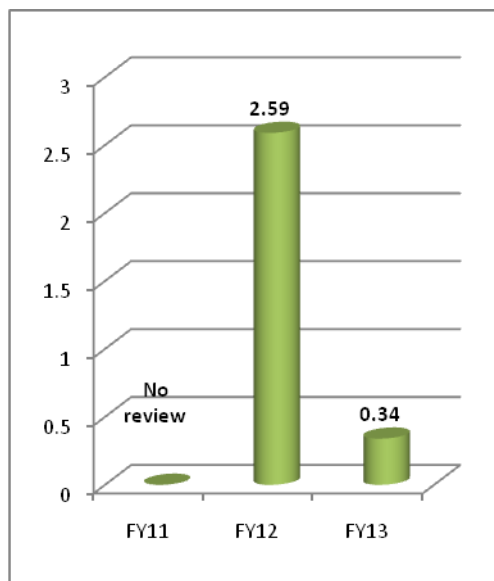


Figure 47: Project-wise Observation per Contract – SPEMP A

SPEMP A is administered by the Finance Division of the Ministry of Finance. The component was first reviewed in FY12 and there were significant observations in the procurement activities – PIU capacity, procurement process and contract management. However, the organization learned a lot after sharing the PPR report and its result was reflected in FY13. The number of observations per contract is reduced from 2.59 to 0.34 which is a significant improvement in procurement activities in subsequent year.

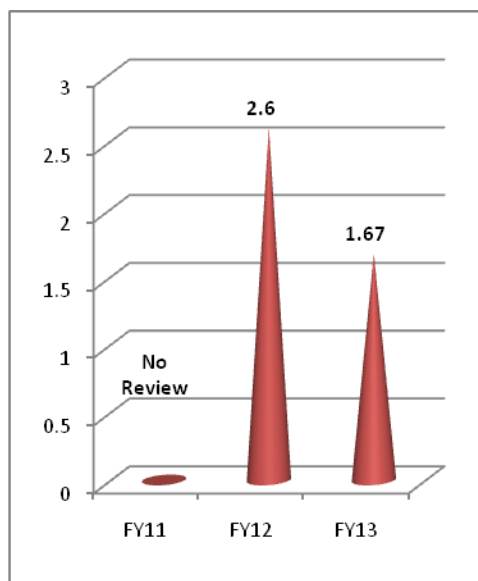


Figure 48: Project-wise Observation per Contract – STEP

This is a decentralized project and the procurement activities are carried out in different poly technique institutes. However, the observations shown in the graph are from the activities reviewed at project implementation unit. It is observed that the number of observations has been reduced from 2.6 to 1.67 over two years. Though there is not significant improvement by number but there are significant improvements in different areas of procurement activities as observed in the first review in FY12. In FY13, the observations come from procedural gaps and payment related issues. Most of contracts reviewed in FY13 are carried out before starting of review in FY12.

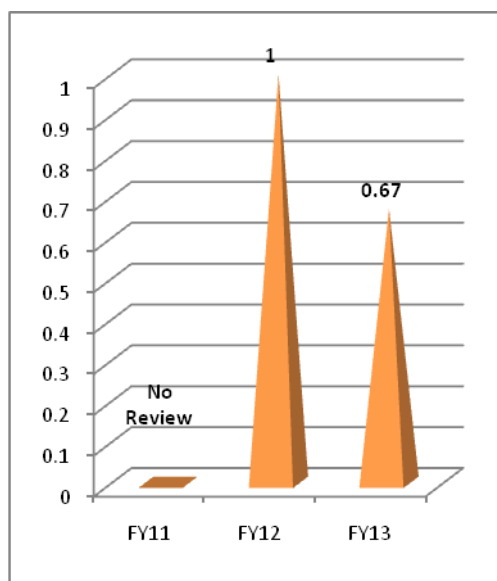


Figure 49: Project-wise Observation – WMIP

This project is carried out by two organizations – Bangladesh Water Development Board (BWDB) and Water Resources Planning Organization (WARPO). In FY12, only BWDB was reviewed but both organizations were reviewed in FY13. Most observations in FY13 were come from WARPO. The review is done first time in WARPO. It is noted that there is significant improvement in procurement activities in subsequent year in BWDB.

4.6 ANALYSIS OF MOST COMMON OBSERVATIONS

4.6.1 Most Common Observations in PPR FY11

Total observations in the procurement post review of FY11 are 348. This number is summed up from 28 categories of observations. Most observations are found in 16 categories. Total observations in 16 categories are 324, approximately 93% of the total observations. The qualification of most common observations category is to have at least 5 observations found in the review process for a particular area of procurement activity. These common observations categories are listed below:

- (1) Procurement beyond procurement plan
- (2) Inappropriate procurement type/method
- (3) Rebidding without approval
- (4) Exceeding limit of request for quotations (RFQ)
- (5) Apparent fraud and corruption
- (6) Inappropriate bid evaluation
- (7) Incomplete bid evaluation
- (8) Delayed in contract signing
- (9) Quotation process by violating Rules

- (10) Quotation evaluation by violating Rules
- (11) Price correction not informed to bidders
- (12) Unrealistic contract time extension
- (13) Delay in delivery/completion
- (14) Liquidated damages not imposed
- (15) Delay in payment
- (16) Issuance of no completion certificate

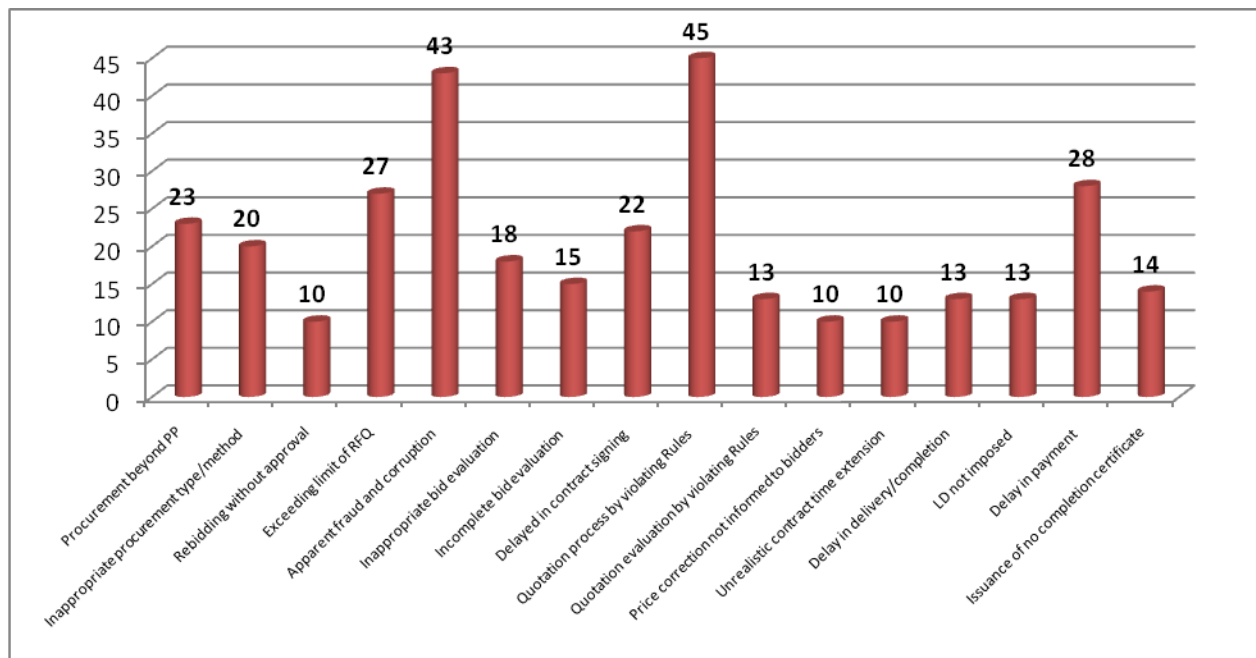


Figure 50: Most Common Observations in PPR FY11

4.6.2 Most Common Observations in PPR FY12

Total observations in the procurement post review of FY12 are 124 in 21 categories. Most observations are found in 9 categories. Total observations in 9 categories are 103, about 83% of the total observations. The qualification of most common observations category is to have at least 5 observations found in the review process for a particular area of procurement activity.

These common observations categories are listed below:

- (1) Lack of documentation
- (2) Apparent fraud and corruption
- (3) Inappropriate bid evaluation
- (4) Quotation process by violating Rules

- (5) Price correction not informed to bidders
- (6) Unrealistic contract time extension
- (7) Delay in delivery/completion
- (8) LD not imposed
- (9) Delay in payment

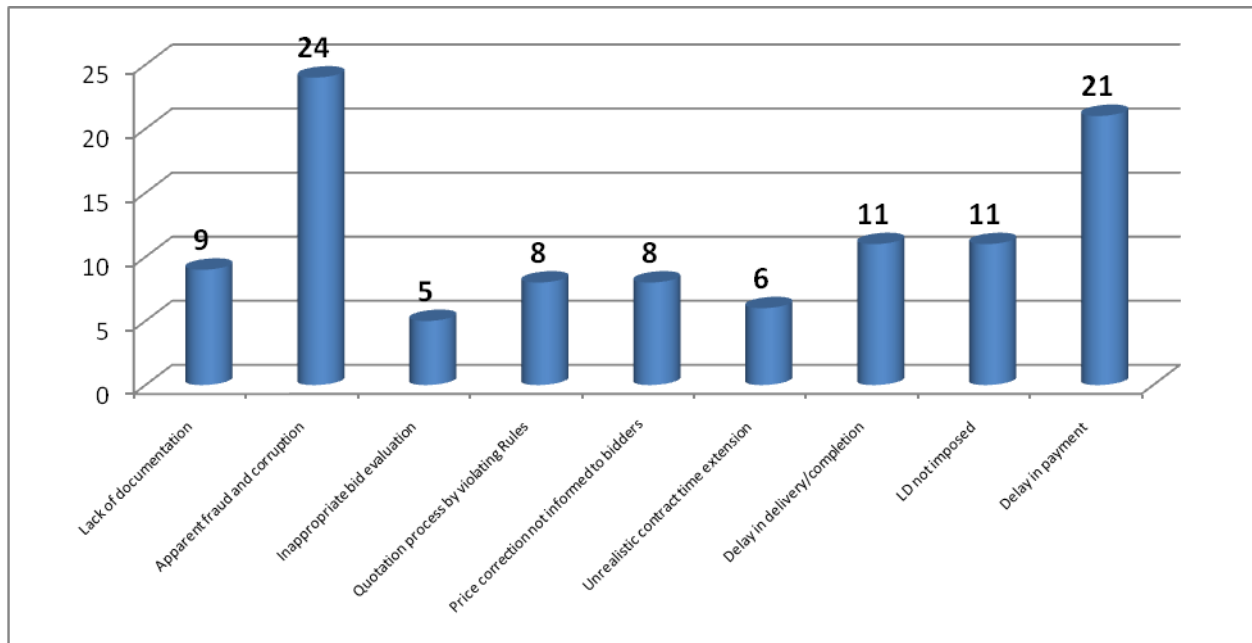


Figure 51: Most Common Observations in PPR FY12

4.6.3 Most Common Observations in PPR FY13

Total observations in the procurement post review of FY13 are 68 in 14 categories. Most observations are found in 6 categories. Total observations in 6 categories are 56, about 82% of the total observations. Most The qualification of most common observations category is to have at least 5 observations found in the review process for a particular area of procurement activity.

These common observations categories are listed below:

- (1) Apparent fraud and corruption
- (2) Delay in contract signing
- (3) No verification of bid securities
- (4) Delay in delivery/completion
- (5) LD not imposed

(6) Delay in payment

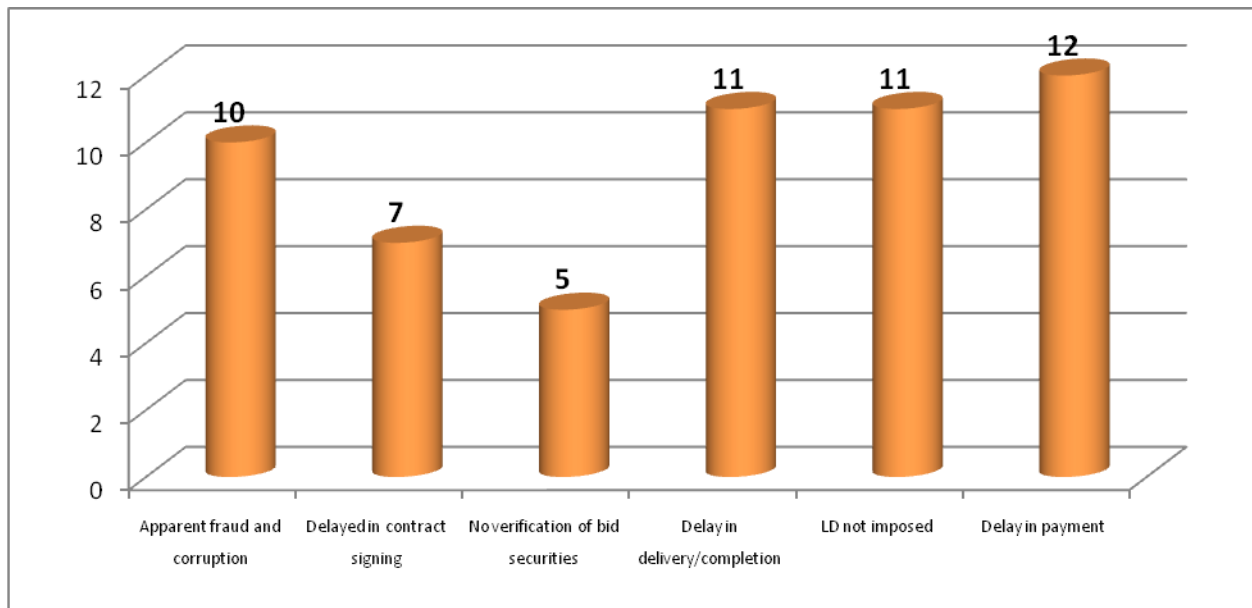


Figure 52: Most Common Observations in PPR FY13

4.6.4 Trend Analysis of Most Common Observations

The most common observations categories are considered in the below chart when the number of observations for a particular area of procurement is at least 5. For the purpose of analysis this definition is used here. According to the types of observations, we found 28 categories in FY11, 21 categories in FY12 and 14 categories in FY13. The statistics shows a gradual reduction of observations for a particular area of procurement activities. Most of the organizations have tried to rectify the problems identified in the post review in subsequent procurement activities.

Similarly the most common observations categories are also reduced from FY11 to FY13 significantly. The number of common observations categories has been reduced from 16 to 6. This may be a significant improvement in reducing the number of observations categories in the organizations which are under continuous review cycle.

The below graphs/charts show a downward slope of curve which indicates improvement in the procurement activities in the agency level. The agencies are now very careful to manage the procurement cycle in order to generate less number of observations and category of observations.

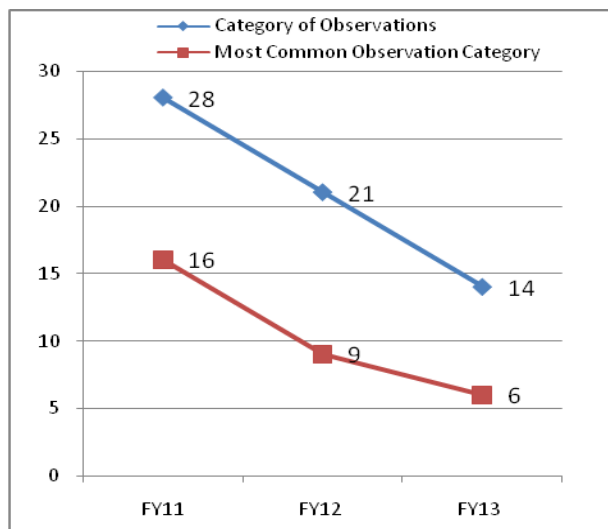


Figure 53: Trend of Most Common Observations Categories

The left handed chart provides us the meaning information that the number of types of observations is significantly reduced from 28 to 14 (i.e. 50% reduction) over the three year period. Similarly the most common category of observations having more than or equal to 5 observations is also reduced from 16 to 6 (i.e. more than 50% reduction) over the last three years. This is happened due to the continuous monitoring through procurement post review.

It is noted that in the last three years the most common observations categories have been reduced from 16 to 6. But the common categories consistently having many observations are only four:

- (1) Apparent fraud and corruption;
- (2) Delay in delivery or completion;
- (3) Liquidated damages not imposed upon delay; and
- (4) Delay in making payment to the contractors/ suppliers/ consultants.

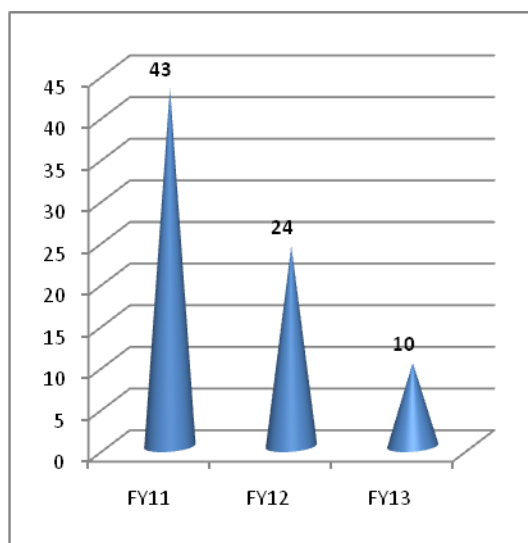


Figure 54: Trend of Fraud and Corruption Observations

The analysis against the apparent fraud and corruption observation shows that the trend of this kind of observation is being reduced from 43 to 10 over the last three years. The result shows gradual improvement in reduction of this observation.

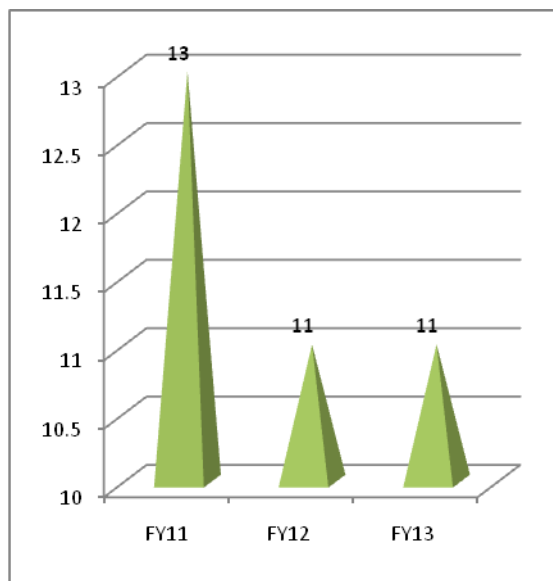


Figure 55: Trend of Delay in Delivery/ Completion Observations

There is not any significant improvement in this category as it relates to the performance of the contracts/ suppliers/ consultants in fulfilling their obligations. However, this situation can be improved if the implementing agency motivates the contractors/ suppliers/ consultants about their roles and responsibilities under the contract and imposes liquidated damages if they do not perform as per contract. This initiative of the implementing agency may improve the situation and thus reduce risks in procurement activities.

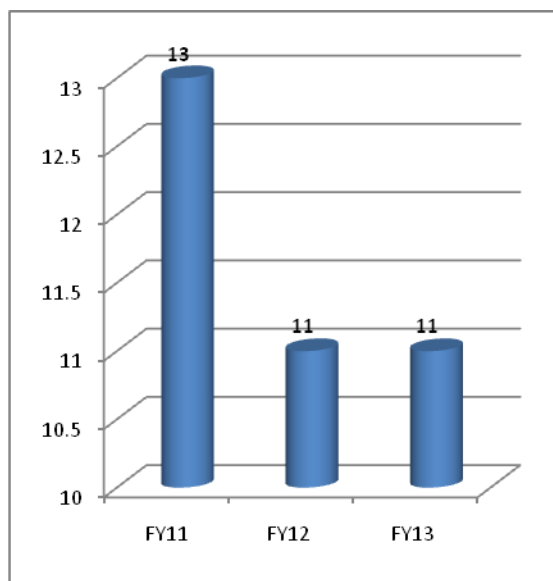


Figure 56: LD Not Imposed Observations

This observation is a replicate of the observation of ‘delay in delivery/completion’. For the same reason, there is not sufficient improvement in this area even after repeated suggestion to follow the contractual provision.

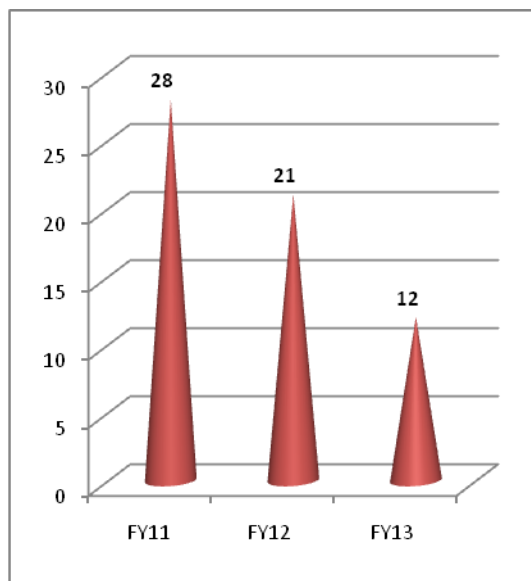


Figure 57: Delay in Payment Observations

It is observed that the general tendency of the implementing agency is to delay in making payments to the contractors/ suppliers/ consultants has been improved a lot after conducting post review in agency level. Over the three years it has been reduced significantly from 28 to 12.

CHAPTER FIVE

PROCUREMENT RISK MITIGATION

The risk arising from the procurement activities is the result of deviations from the provisions of the Financing Agreement signed for the project, the applicable Guidelines for procurement of goods, works and services mentioned in the Financing Agreement and other terms and conditions stated in the project agreements or other project related documents agreed between the Bank and the borrower or the implementing agency. In this section we shall discuss the possible reasons of such deviations from the stated provisions and the possible mitigation measures to improve the situation in future. We shall not discuss for all deviations but taking consideration of most commonly observations in procurement post review.

5.1 FRAUD AND CORRUPTION

Fraud and corruption is a common issue in procurement and the major development agencies and societies are fighting against fraud and corruption imposing hard conditions while providing credit and grant to the governments and institutions which need fund from them. In this analysis we consider the guideline and definition of fraud and corruption given by the World Bank. It is the Bank's policy to require that borrowers (including beneficiaries of loans/credits/grants), as well as bidders, suppliers, contractors and consultants under Bank-financed contracts, to observe the highest standard of ethics during the selection of bidders/consultants and execution of such contracts. The fraud and corruption encompasses the following elements and defines those elements as follows:

- (1) **“Corrupt Practice”** is the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party;
- (2) **“Fraudulent Practice”** is any act or omission, including misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain financial or other benefit or to avoid an obligations;

- (3) “**Collusive Practice**” is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party;
- (4) “**Coercive Practice**” is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party; and/or
- (5) “**Obstructive Practice**” is (i) deliberately destroying, falsifying, altering or concealing of evidence material to the investigation or making false statements to investigations in order to materially impede a Bank investigation into allegations of a corrupt, fraudulent, coercive, or collusive practice; and/ or threatening, harassing, or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation; or (ii) acts intended to materially impede the exercise of the Bank’s inspection and audit rights provided for in the policy and the contract.

The possible reasons for happening fraud and corruption in Bank-financed contracts are given below from the observations in the procurement post review:

- Given preference to a particular product or brand, or a supplier, contractor or consultant;
- Sought quotations from the same group of suppliers repeatedly;
- Bidders taking advantage of a more flexible method of having three quotations or single bid;
- Political influence or local influence;
- Lack of capacity/ interest of the evaluation committee to identify the F&C issues.

In order to reduce the number of fraud and corruption in Bank-financed contracts, the possible actions may be the following:

- Conducting training to the members of the evaluation committee and staff involved in the procurement activities, and informing them possible consequences of fraud and corruption under Bank- financed contracts;
- Providing them the INT red flags and checklist to be signed and attached with the bid evaluation report;
- Alerting bidders regarding consequences of Fraud and Corruption (F&C) issues during the pre-bid conference;

- Allowing Shopping method only when necessary and evident on case by case basis; and
- Taking necessary remedial actions (i.e. mis-procurement, INT investigation, alerting agencies, etc.).

5.2 DELAY IN MAKING PAYMENTS

This is another most commonly observed deviation in the procurement post review during the last three years. This is possibly most difficult situation which cannot be improved further unless the society in large pursues against this culture. This belongs to human nature of not paying the money duly unless there is a knock from the recipient. The possible reasons of this deviation are given below:

- Negligence of the Implementing Agency in making payments against the contractual obligations;
- Lack of follow-up mechanism in the Implementing Agency to make payments timely;
- Shortage of budget/fund in the beginning and end of the fiscal year;
- Lack of consistency between procurement planning and funding planning by the Implementing Agency;
- Submission of invoice with deficiency by the contractor/supplier which requires rectification time;
- Delay in certification/acceptance of works/goods by the Implementing Agency;
- Putting pressure on the suppliers/contractors to get any special benefits.

The possible suggested action plans are given below:

- Recording the invoices/bills by date-wise in a register upon receiving in Project Office;
- Communicating suppliers/ contractors within seven days if there is any deficiency in invoices/bills;
- Issuing Work Completion Certificate (interim/ final)/ acceptance certificate for works/goods as soon as possible but no later than contractual obligations;
- Releasing fund when the Implementing Agency initiates to publish procurement notice;
- Reviewing invoice/bill register weekly by the Project Director and Finance and Accounts personnel;

- Recording the reasons of delay in payment in the register, if any.

5.3 DELAY IN CONTRACT PERFORMANCE

This is a consistent problem from the supplier/contractor's side to make delay in delivery of supply or completion of works contract. There could be many reasons but the most important is the weakness of contract administration or management from the implementing agency. The probable reasons of such deviation are given below:

- Setting tight or unrealistic time frame for contract execution in the bidding document in many cases due to urgency by the Implementing Agency;
- Insufficient due diligence from the bidders' side about the time offered for contract performance;
- Insufficient resources engaged by the suppliers/contractors to complete the contract performance;
- Lack in experience in contract management and monitoring by the Implementing Agency;
- Lack of communication between Implementing Agency and suppliers/ contractors/ consultants after contract signing;
- Lack of use of project management software in contract management;
- Lack of knowledge of contract provision in respect of suppliers/contractors roles and responsibilities; and
- Lack of knowledge for imposing liquidated damages in case of delay.

In order to improve the situation the following possible action plans could be introduced:

- Setting contract performance deadline/ milestones realistically based on proven knowledge and likely impacts of unforeseen events in the bidding document;
- Developing consensus between the Implementing Agency and the bidders about the contract performance time during pre-bid conference;
- Conducting training to project personnel in contract management/administration;
- Establishing vibrant communication with suppliers/ contractors/ consultants, as if they are partner of the project team to achieving project goals;

- Use of project management software and tracking suppliers/contractors/consultants' activities through communication;
- Seeking information from the suppliers about L/c opening for importing goods, transportation schedule, contract with manufacturers, tentative delivery schedule to Implementing Agency;
- Seeking regular fortnight/monthly update of Program of activities as per contract provision;
- Reviewing physical progress of works by field visits and conducting progress meeting with contractors on monthly basis;
- Making progress payments of works as per contract provision;
- Practice early warning mechanism on a regular basis; and
- Imposing liquidated damages when justified or extending the time with proper documentation.

5.4 LIQUIDATED DAMAGES NOT IMPOSED

When the supplier or contractor fails to comply with provisions of the contract, unless it is extended in accordance with the provision of the contract, the supplier or contractor is liable to pay liquidated damages for its non-performance in accordance with the provision of the contract. This is the last resort of the Implementing Agency to bring the supplier or the contractor back on track.

The possible reasons of not imposing liquidated damages by the Implementing Agency are given below:

- Lack of knowledge of contract provision by the project people while certifying invoice/bill to the finance department for payment;
- Lack of knowledge of contract provision or due diligence by the finance people while making payment;
- Weak system of internal control/auditing process established in the Project Office; and
- Favoring suppliers/ contractors in lieu of personal benefits.

The possible action plans that can improve the situation are given below:

- Conducting training to the project technical staff including finance staff about the contract management/administration;
- Providing certification on invoice/bill observing the contractual provision;
- Providing a copy of the contract to the finance department for ensuring auditing before making any payment, especially quality and quantity certification, recording in asset register, and other provisions of the contract.

5.5 INAPPROPRIATE BID EVALUATION

In appropriate bid evaluation is a big risk especially in large contracts where the Implementing Agency tries to favor a particular brand or a particular bidder with hiding bid information in the bid evaluation report.

The possible reasons of such deviation are given below:

- Indication of preference for a particular brand or bidder;
- Lack of knowledge in differentiating major and minor deviations in bids;
- Hiding bid information in the bid evaluation report;
- Lack of attention by the evaluation committee on the report of technical subcommittee;
- Lack of capacity in the evaluation committee to evaluate the bids/ proposals appropriately.

The possible action plans are given below:

- Issuing model bid evaluation report forms to each Implementing Agency to follow in preparing bid evaluation report;
- Providing orientation training to members of bid evaluation committee;
- Reconstituting evaluation committee if there is consistent failure in proper evaluation of bids; and
- Random comparison of bid evaluation report with original bids by the approving authority.

5.6 GOODS SUPPLIED WITH WRONG SPECIFICATIONS

This is not a frequent observation but failure to complying with proper specification of the supplied goods can be serious impact on the intended purpose of procuring goods/ works/ services.

The possible reasons of such deviation are given below:

- Lack of knowledge of Inspection Team about the product/ product specifications; and
- Faulty mechanism of goods inspection system (as observed in verification).

The possible action plans are given below:

- One of the member of Technical Inspection and Acceptance Committee should be technical specialist who has better knowledge on the product being procured;
- Technical Inspection and Acceptance Committee should submit a report to the Project Director/ Procuring Entity after inspection of goods including their recommendation; and
- Comparison of technical specifications should be in the report as per below format:

Procurement Description	Specifications of Goods as per Contract	Specifications of Delivered Goods	Remarks
Goods name:			
Quantity:			
Delivery date:			
Inspection Date:			
Recommendation of Technical Inspection and Acceptance Committee:			
Goods name:			
Quantity:			
Delivery date:			
Inspection Date:			
Recommendation of Technical Inspection and Acceptance Committee:			

Note: This table shows format of two goods only.

5.7 PUBLIC PROCUREMENT

We can define public procurement as the procurement of goods/ works/ services carried out by Implementing Agencies involving public fund whether the agencies are government departments or autonomous bodies or local governments working for benefits of general people in the country. The fund may come from the budget of the government exchequer, loans/credits/grants from development agencies or donor countries. The public fund is defined as any funds allocated to a procuring entity under Government budget, or loan, grants and credits placed at the disposal of a procuring entity through the Government by the development partners or foreign states or organizations and the public procurement is using public funds.

In case of funds coming from development agencies or donor countries, the Implementing Agencies follow the rules, regulations or guidelines imposed by those development agencies in the procurement of goods/ works/ services. The development agencies monitor the activities of the Implementing Agencies whether they are following the rules, regulations or guidelines as agreed between them. From time to time the development agencies conduct auditing on the activities of the Implementing Agencies to ensure the compliance on the agreed provisions. So, there is a continuing monitoring activities by the development agency as discussed in Section 2 of this report.

However this sort of third party continuous monitoring or oversight is absent in public procurement where full funds are coming from the government exchequer. Though the Public Procurement Rules, 2008 allow the Central Procurement Technical Unit (CPTU) and the agency to conduct procurement review through third party, but the practice of such review has not yet been started in full swing.

5.8 RISK MITIGATION TOOLS IN PUBLIC PROCUREMENT

The Public Procurement Rules, 2008 provide some risk mitigation tools to minimize procurement risks in public procurement. The risk mitigation tools are:

- (1) Layer of approving authority according to financial delegation of authority;
- (2) Review Panel; and
- (3) Procurement post review.

5.8.1 Approving Authority

The first risk mitigation tool in public procurement is the approving authority of the contract according to the financial delegation of authority. Depending on the contract value, the contract can be approved by the procuring entity, the head of procuring entity, the ministry or its division, or the cabinet committee on government purchase (CCGP). Generally the Implementing Agency carries out the procurement activities including preparation of bidding document, invitation of bids, receiving of bids, evaluation of bids, issuance of notification of award, and contract negotiation and signing, etc. The bidding document and the bid evaluation report are approved by the respective approving authority following their financial authority. The risk control mechanism in public procurement in first stage is that the chairman of the evaluation committee and the approving authority shall not be the same person. However, the most offices of the approving authority do not have sufficient technical expertise in reviewing the evaluation report, especially in complex procurement, like supply and installation contracts. They basically rely on the report prepared by the evaluation committee and recommended by the procuring entity.

5.8.2 Review Panel

According to the Rules 58 of the Public Procurement Rules, 2008, the CPTU shall constitute Review Panels comprising of specialist from (i) legal matters related to procurement, (ii) relevant technical fields, and (iii) experienced in procurement and contract management. The third specialist of the review panels will be nominated by the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI). The review panels will resolve complaints received from the bidders. One of three members will act as the chair of the review panel and the CPTU will act as the secretariat of the review panel. At the request of the chair of the review panel, the CPTU may co-opt another two members to the review panel.

5.8.3 Procurement Post Review

According to Rules 45 of the Public Procurement Rules, 2008, the records of Procurement activities shall be reviewed periodically by independent consultants and the findings provided to the procuring entity and CPTU so that it can properly carry out its monitoring responsibilities

and inform the Government and the general public about its recommendations for remedial measures concerning adherence to the relevant Rules, contract management, delays. The consultant shall ensure - (i) whether the procurement proceedings have been conducted and implemented by the procuring entity following the provisions of the Act and Rules; and (ii) whether in implementing the objective of the Act and Rules value-for-money has been achieved.

The head of the procuring entity, if the value of procurement carried out by the procuring entity under his or her control more than BDT 100 million, shall arrange by independent consultants a post review of the procurement operations. The independent consultant shall select a procurement sample which should cover at least 15% of the number of contracts and 30% of the total contract value. The procuring entity shall ensure that the post review is completed and the report is submitted to the head of the procuring entity and CPTU within 9 months of the completion of the financial year.

The CPTU may also undertake a sample procurement review of the past procurement activities carried out by a procuring entity for monitoring compliance with the Public Procurement Act, 2006. The CPTU will publish the findings of the procurement post review and recommendations in its website for public disclosure.

5.9 EFFECTIVENESS OF TOOLS

The effectiveness of tools is determined by the result of the smooth functioning of the procurement activities. As there is no statistics of effectiveness of these tools as published by CPTU we cannot make comments on it. However, we can comment on procurement post review as we have data on it. This is obviously a good tool as evidenced in utilization in WB funded projects. There is substantial risk reduction in WB funded projects through regular conducting procurement post review.

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

6.1 RESEARCH FINDINGS

After reviewing the report on the procurement post review and analyzing the data collected for each contract reviewed, the research findings are:

- (1) Over a three-year period, the number of observations per contract reviewed has been reduced significantly from 2.43 (FY11) to 0.76 (FY13) with frequency of annual review. The trend of reduction is almost linear in characteristic.
- (2) The number of observations regarding major deviations has been reduced from 36% (FY11) to 13% (FY13) almost linearly over the period.
- (3) The number of observations regarding minor deviations has also been reduced from 55% (FY11) to 34% (FY13).
- (4) The number of 'no observation' contracts has been increase significantly from 9% (FY11) to 52% (FY13). This indicates that at the end of three year period, more than 50% contracts are procured without any deviation from the stated procurement guidelines, documents and financing agreement.
- (5) Observations related to PIU capacity has been reduced from 25% (FY11) to 4.4% (FY13).
- (6) Observations related to procurement process have also been reduced from 52% (FY11) to 42% (FY13) but not significantly.
- (7) The number of types of observations has been reduced significantly from 28 (FY11) to 14 (FY13), exactly 50%.
- (8) The number of types of most common observations has been reduced from 16 (FY11) to 6 (FY13) over the three-year period.
- (9) According to above statistics, it appears that the procurement risk is being decreased in the projects where post review is conducted every year.

6.2 RESEARCH RECOMMENDATIONS

Based on the above statistics and research findings, the following recommendations could be drawn in the procurement activities:

- (1) Frequent procurement post review can help reduce the procurement risk in the Implementing Agency level significantly.
- (2) The frequency of procurement post review can be half yearly than the current practice of yearly review. It can be quarterly as well where procurement activities continue frequently over the year.
- (3) The procurement post review can be introduced in government purchase to reduce the procurement risk. Government procurement is more vulnerable than to the donor funded procurement. Because donor funded project has strong third eye to eliminate fraud and corruption.
- (4) The procurement post review report should be shared with the Implementing Agency within 15 days after completion of review to have more impact on the review.
- (5) Actions on findings should be monitored regularly and follow-up actions are to be undertaken to improve the situations further.

6.3 WAY FORWARD

The following areas can be researched to find out the efficacy of the procurement post review:

- (1) Whether the procurement post review tool is a superior mechanism to reduce the procurement risk.
- (2) Procurement post review is a very cost-effective tool compared to other risk mitigating tools.
- (3) E-procurement can be used fully to eliminate the procurement post review permanently.

Annexure 2: Template of Review Sheet (Goods)

Review 1 of 1

Date of Review:	Supplier:
Reviewer:	Contract Desc:
Contract Amt:	Contract No./Date:
Est. USD Equiv:	Proc. Type:
	Physical Inspection:

Question	Summary Answer	Comments
Compliance with Bank Guidelines and procedures		
Indicators of possible F&C present?		

Question	Bidding Answer	Dev	Comments
Was the procurement notice advertised in accordance with the loan agreement?			
Was the procurement method required as per the proc. plan used?			
Number of Bidding Documents Sold			
Number of Bids Received			
Number of Amendments to the Bidding Documents			
Date of Invitation for Bids			
Bid submission deadline			
Number of Bid Submission Deadline Extensions			
Bid Submission Deadline Extensions (in days)			
Bid Validity Period (in days)			
Number of Bid Validity Period Extensions			
Bid Validity Extension Period (in days)			

5

Question	Evaluation and Award Answer	Dev	Comments
Record of Public Bid Opening on file (y/n)			
Bid opening Date			
Bid Evaluation Report on file (y/n)			
Bid Security / Bid Declaration on file (y/n)			
Est. Contract Amount from Procurement Plan (enter 0 if not in plan)	BDT		
Lowest Evaluated Bid Amount	BDT		

Second Lowest Evaluated Bid Amount	BDT			
Awarded Contract Amount	BDT			
Type of Contract				
Were all other required NCB Conditions respected?				
Performance Security on file (y/n)				

Question		Contract Answer	Dev	Comments
Delivery Period as per Awarded Contract (in days)				
Number of Delivery Period Extensions				
Duration of Delivery Period Extensions (in days)				
Actual Delivery Period (in days)				
Advance Payment Amount	BDT			
Percentage of Goods Delivered to Date				
Contract Amount Paid as of Date of PPR	BDT			
Average Period from Payment Request to Payment Made (in days)				
Number of complaints on file (in Bank complaints database or with Borrower)				
Liquidated Damages Deducted from Payments (y/n)				
Contract Termination Notice Issued (y/n)				

Question		Physical Inspection Answer	Dev	Comments
Name & Title of IA Representative at Location				
Location of Goods as per procurement plan (yes/no)				
Country of Origin of Goods as per bid				
Delivery Date				
Final Acceptance Date				
Warranty Period Completion Date				
Put in Use Date				
Name of Manufacturer				
Country of Manufacturer				
Model/ Catalogue Number				
Overall Quality of Materials/ Equipment vs. Tech Specs				
Quantities Count as per contract				
Quantities Count as verified				
Recorded Defects/ Deficiencies				

Inventory / Asset Management Records In Use			
Storage, Packaging & Distribution System In Use (Pharmaceuticals & Perishable Goods only)			

Annexure 1: P-RAMS Risk Rating Format and Questionnaire

PROCUREMENT RISK ASSESSMENT QUESTIONNAIRE

Project Name:

Project ID:

Agency:

Assessment date:

Risk Factor 1: Accountability for Procurement Decisions in the Implementing Agency or Agencies	
Question 1 Does the agency have a clear system of accountability with clearly defined responsibilities and delegation of authority on who has control of procurement decisions?	Answer: Yes/No
Question 2 Is the decision making process "formalized" and described in the Manual and known to staff?	Answer: Yes/No
Question 3 Is the system effective. i.e. is authority delegated "on paper" applied consistently "in practice"?	Answer: Yes/No
Findings:	
Comments/Update: Risk Level: Low/ Moderate/ Substantial/ High	

Risk Factor 2: Internal Manuals and Clarity of the Procurement Process	
Question 1 Does the agency have a well documented set of implementation regulations/procurement manual applicable to procurement under the project and is it accessible for staff?	Answer: Yes/No
Question 2 Do the regulations/manual provide comprehensive and clear instructions for all steps of the procurement process (planning, evaluation, award, methods, review thresholds, record keeping etc.)?	Answer: Yes/No
Question 3 Do agency staff understands the instructions and are confident in their actual application?	Answer: Yes/No
Question 4 Are manuals and policy documents well disseminated to and consulted by staff?	Answer: Yes/No
Findings:	
Comments/Update: Risk level: Risk Level: Low/ Moderate/ Substantial/ High	

Risk Factor 3: Record Keeping & Document Management Systems
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Question 1 Does the agency maintain adequate written records of all procurement and contract documents?	Answer: Yes/No
Question 2 Is there a system (manual or electronic) to easily locate relevant records?	Answer: Yes/No
Question 3 Are records protected from loss and unauthorized access?	Answer: Yes/No
Findings:	
Comments/Update: Risk Level: Low/ Moderate/ Substantial/ High	

Risk Factor 4: Staffing	
Question 1 Does the Agency have key staff with experience and a satisfactory track record in procurement in general and on donor funded projects specifically?	Answer: Yes/No
Question 2 Does the agency have or have access to contract management expertise and a track record of quality and timely delivery?	Answer: Yes/No
Question 3 Does management ensure that staff takes quality training for continuous skill development in procurement and contract management?	Answer: Yes/No
Question 4 Is there a published and known code of ethics that describes in appropriate behavior related to procurement?	Answer: Yes/No
Question 5 Is staff selected on an open competitive basis and offered a competitive compensation that allows attracting high caliber staff?	Answer: Yes/No
Findings:	
Comments/Update: Risk Level: Low/ Moderate/ Substantial/ High	

Risk Factor 5: Procurement Planning	
Question 1 Are realistic procurement plans prepared as a matter of course in the agency (based on the objectives of the project, justifiable quantities, realistic market prices, timing of delivery, storage, etc) and approved formally?	Answer: Yes/No
Question 2 Are contract packages such that they will maximize interest by reputed bidders?	Answer: Yes/No
Question 3 Are there contract packages that will challenge the capabilities of the Agency in terms of size, complexity and timing (e.g. Multi stage bidding, turnkey, concessions, S&I, simultaneous contracts etc.)?	Answer: Yes/No
Question 4 Is there a track record of adhering to and updating the procurement plans taking into account cost, timing, sequencing, methods, cash flow etc.?	Answer: Yes/No
Question 5 Has the agency assessed sector risks (related to collusion, supply constraints) and taken them into account in the procurement plan?	Answer: Yes/No
Findings:	
Comments/Update: Risk Level: Low/ Moderate/ Substantial/ High	

Risk Factor 6: Bidding documents,(pre-)qualification, short listing, and evaluation criteria	
Question 1 Is (pre)qualification based on objective pass-fail criteria, clearly listed in the documents and appropriate for the project?	Answer: Yes/No
Question 2 Are shortlists balanced and are highly qualified firms who have expressed interest generally included?	Answer: Yes/No
Question 3 Will bidding documents/RFPs for procurement during the first year be ready by loan signing at the latest?	Answer: Yes/No
Question 4 Does the agency use BDs for NCB, standardized for the agency or for the country or sector?	Answer: Yes/No
Question 5 Are NCB BDs acceptable for use under Bank projects?	Answer: Yes/No
Question 6 Are the technical specifications/TORs of good quality?	Answer: Yes/No
Findings:	
Comments/Update: Risk Level: Low/ Moderate/ Substantial/ High	

Risk Factor 7: Advertisement, Pre-bid/proposal Conference and Bid/Proposal Submission	
Question 1 Are bids/proposals consistently advertised in media of wide circulation, easily accessible to potential bidders, in line with the advertising principles of the Bank's Guidelines?	Answer: Yes/No
Question 2 Is the content of the advertisements and EoI sufficient to enable a potential participant to determine its interest in competing?	Answer: Yes/No
Question 3 Is sufficient time allowed for bid or proposal preparation, appropriate to the complexity of the bid?	Answer: Yes/No
Question 4 Are bidders prevented from purchasing or submitting bids?	Answer: Yes/No
Question 5 Are timely and non-ambiguous clarifications to bidding/proposal documents provided to all potential bidders?	Answer: Yes/No
Question 6 Are bids opened in public in the presence of bidders/representatives and immediately following the deadline for bid submission?	Answer: Yes/No
Question 7 Are the number of bids received reasonable as compared to the number of bidding document purchased/number of pre-qualified bids?	Answer: Yes/No
Question 8 Is the integrity of the bids/proposals guaranteed?	Answer: Yes/No
Findings:	
Comments/Update: Risk Level: Low/ Moderate/ Substantial/ High	

Risk Factor 8: Evaluation and Award of contract	
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Question 1 Are evaluations conducted professionally and by members with technical expertise in the items/services being procured?	Answer: Yes/No
Question 2 Are evaluations and qualification carried out thoroughly and on the basis of the criteria specified in the documents?	Answer: Yes/No
Question 3 Are there any indicators that the bidding/selection process has been manipulated to favor a certain bidder or are there unusual bid patterns?	Answer: Yes/No
Question 4 In reviewing the bids, no red flags of corruption are identified?	Answer: Yes/No
Question 5 Is due diligence conducted on the winning bidder to ensure that it a legitimate, reputable, technically capable company?	Answer: Yes/No
Question 6 Do evaluations reports contain all essential information necessary for approvals, including adequate justification for decisions taken during evaluation such as rejection of bids?	Answer: Yes/No
Question 7 Is there a protocol in place to ensure safekeeping of information during the evaluation process?	Answer: Yes/No
Question 8 Are contracts awarded and made effective in a reasonable amount of time and substantially with the same scope as in the bidding documents?	Answer: Yes/No
Question 9 Does the agency have a disclosure policy in place (award decisions, debriefing, right of information)?	Answer: Yes/No
Question10 Are there serious/frequent complaints on evaluations?	Answer: Yes/No
Findings:	
Comments/Update: Risk Level: Low/ Moderate/ Substantial/ High	

Risk Factor 9: Review of Procurement Decisions and Resolution of Complaints	
Question 1 Does the agency have a formal system known to the bidding community to review and resolve complaints from bidders at different stages of the procurement cycle up to contract award?	Answer: Yes/No
Question 2 Does the system in place allow the complaint to be disposed of administratively besides judicial review?	Answer: Yes/No
Question 3 Does the agency keep data on volume of complaints and nature of complaints and report on them?	Answer: Yes/No
Question 4 Is the system effective and does it ensure timely and fair decision making that protects against retaliation?	Answer: Yes/No
Findings:	
Comments/Update: Risk Level: Low/ Moderate/ Substantial/ High	

Risk Factor 10: Contract Management and Administration	
Question 1 Are adequate mechanisms in place for procurement and/or contract	Answer: Yes/No

monitoring?	
Question 2 Are invoices from vendors generally paid within the contractual terms?	Answer: Yes/No
Question 3 Do procedures exist to monitor delivery of goods, works and services to verify quantity, quality and timeliness, and to control inventories of goods?	Answer: Yes/No
Question 4 Are contracts generally implemented according to specifications, on time and without excessive changes in scope or price and are variations justified?	Answer: Yes/No
Question 5 Are contract amendments generally processed diligently and in a reasonable time?	Answer: Yes/No
Question 6 Is there a backlog of unresolved contractual claims (e.g., payments, variations)?	Answer: Yes/No
Question 7 Is there a track record of implementing an alternative dispute resolution procedure besides the judicial avenue?	Answer: Yes/No
Findings:	
Comments/Update: Risk Level: Low/ Moderate/ Substantial/ High	

Risk Factor 11: Procurement Oversight	
Question 1 Are procurement operations subject to regular internal, external audits?	Answer: Yes/No
Question 2 Is the external audit carried out by an independent body?	Answer: Yes/No
Question 3 Is the scope and quality of the procurement audit satisfactory and includes physical inspections and compliance checks?	Answer: Yes/No
Question 4 Are audit reports issued in a timely manner and are recommendations related to procurement generally implemented promptly?	Answer: Yes/No
Question 5 Is there any other form of oversight of procurement exercised by other external independent organization like civil society groups, anticorruption agency or similar?	Answer: Yes/No
Findings:	
Comments/Update: Risk Level: Low/ Moderate/ Substantial/ High	

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