

Effectiveness of the Procurement Process in the Development Sector of Bangladesh

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

Submitted by
Shohel Aman Chowdhury
MPSM, Batch II
ID-13282004

Masters in Procurement and Supply Management

August 2015



**BRAC Institute of Governance and Development,
BRAC University**

Certificate

This is my pleasure to certify that the dissertation entitled “Effectiveness of the Procurement Process in the Development Sector of Bangladesh” is the original work of Mr. Shohel Aman Chowdhury that is completed under my direct guidance and supervision. So far I know, the dissertation is an individual achievement of the candidate’s own efforts, and it is not a conjoint work.

I also certify that I have gone through the draft and final version of the dissertation and found it satisfactory for submission to the Institute of Government Studies (IGS), BRAC University in partial fulfillment of the requirements for the degree of Master in Procurement and Supply Management.

Shah Mohammad Sanaul Hoque, PhD

Director (Capacity Development)

Prime Minister’s Office

Government of Bangladesh

sanaulhq@yahoo.com

Declaration

I Shohel Aman Chowdhury confirm that the work for the following thesis paper with the title “Effectiveness of the Procurement Process in the Development Sector of Bangladesh” has been performed by me. All sections of the paper that use quotes or describe an argument or concept developed by another author have been referenced, including all secondary literature used, to show that this material has been adapted to support.

Dhaka: August 2015.

Shohel Aman Chowdhury
Student ID No: 13282004
Institute of Government Studies (IGS)
BRAC University
Dhaka, Bangladesh

Acknowledgement

I wish to thank my wife, kids my family for their support throughout the program. I really appreciate your presence in my life.

I also want to acknowledge Mr. Shah Mohammad Sanaul Hoque, PhD my supervisor for all the guidance he provided throughout my dissertation. He challenged my thoughts to bring the best out for this dissertation. Thanks you very much Sir.

To all procurement guys and user department are surveyed, thank you for taking time to complete the survey questionnaires. Your participation made this dissertation a reality.

ABSTRACT

Procurement of development sector has increasingly become prominent in Bangladesh that how this entities handle the entire process. Despite its importance, limited essential research has been undertaken to examine the factors to evaluate the effectiveness of the Procurement Process in the Development Sector of Bangladesh. This study aimed to ascertain the determinants to evaluate the procurement process and effectiveness in the field of development sector in Bangladesh. Specifically the study wanted to establish the impact of user department satisfaction, procurement planning on procurement performance; user department insolvent from initiation to evaluation and up to completion of delivery. Moreover, the impact of procurement staff competency on procurement performance and finally reveal the extent to which contract management in the procurement cycle and bottlenecks affects procurement performance and its effectiveness. The study was conducted through a descriptive design using a cross sectional survey within some INGO (International NGO) in Bangladesh. The study engaged purposive sampling to select the sample and sample elements. This resulted to a sample size of 22 staff from different INGO. A semi structured questionnaire as a data collection instrument was used. The field data was statistically analyzed using descriptive statistics and narrative summary analyses. Findings indicate that procurement planning and user department involvement has a significant impact on procurement performance.

Key words: Development sectors, Procurement Cycle, Procurement Performance, Efficiency and Effectiveness, users department, Public Procurement Rules, transparency, accountability and quality, Procurement performance measurement system.

Used Abbreviations

PRSP-Poverty Reduction Strategy Paper

ERP- Enterprise Resource Planning

CGFR-Completion of General Financial Rules

PWD- Public works department

CPAR-Country Procurement Assessment Report

PPR-Public Procurement Rules

PPPA- Public Procurement Processing and Approval Procedures

STDs- Standard Tender Documents

PPA-Public Procurement Act

e-GP- Electronic Government procurement

PPMS- Procurement Performance Measurement System

PPDA-Procurement and Disposal of Public Assets Authority

KPI- Key Performance Indicator

Contents

Chapter-1	10
Introduction.....	10
1.1 Statement of the Problem.....	13
1.2 Objectives and Rational of the study	14
Chapter 2.....	16
Literature review.....	16
2.1 Introduction.....	16
2.2 Procurement.....	16
2.3 Procurement Process.....	17
2.4 Strategic capabilities in procurement:.....	23
2.5 Process efficiency capability	23
2.6 Pareto Principle.....	24
2.7 Procurement performance measurement system (PPMS):.....	24
2.8 The Procurement performance measurement system PPMS cycle:.....	25
2.9 Conclusion	26
2.10 Questionnaire Survey.....	26
2.11 Key Informant Interview	27
Chapter 3.....	28
3.1 Introduction.....	28
3.2 Research design	28
3.3 Methodology.....	28
3.4 The population.....	28
3.5 The sample size.....	28
3.6 Data Collection	29
Chapter 4.....	30
4.1 Data Analysis.....	30
4.2 Key Informant Interviews.....	44
Chapter 5.....	45
5.1 Introduction.....	45

5.2	General information.....	45
5.3	Missions and Goals of Development sector.....	45
5.4	Responses from internal customer (user departments)	46
5.5	Raw data from respondents.....	47
Chapter 6.....		48
6.1	Introduction.....	48
6.2	Responses from procurement department.....	48
6.3	Conclusion on the procurement process	48
6.4	The performance of the procurement process.....	48
6.5	Recommendations.....	49
References.....		50

List of Table and Figures:

Table 1 User department involvement in the stage preparation of supply needs.....	30
<i>Figure 1.1</i>	30
Table 2 General practices of User department purchase request submission to purchase department once in a year or half yearly.....	31
<i>Figure 2.1</i>	31
Table 3 Allowing to place needs to purchase department for a year	32
<i>Figure 3.1</i>	32
Table 4 involvement for preparation/review of the specification and quantity of the supply.....	32
<i>Figure 4.1</i>	33
Table 5 usually consultation with purchasing department if any change is needed in the requisition and specification.	33
<i>Figure 5.1</i>	34
Table 6 Consulting with the purchasing department about price setting/review of the supply	34
<i>Figure 6.1</i>	35
Table 7 Consulting with the purchasing department about vendor selection for the supply.	35
<i>Figure 7.1</i>	36
Table 8 Consulting about determining the supply schedule by the vendor.	36
<i>Figure 8.1</i>	36
Table 9 Consulting during quality check of the supply	37
<i>Figure 9.1</i>	37
Table 10 Purchase department seek user’s department feedback/experiences about the supply.....	38
<i>Figure 10.1</i>	38
Table 11 Purchase department meets users supply needs on time.....	38
<i>Figure 11.1</i>	39
Table 12 Purchase department meets users supply needs as per specification/requirement.....	39
<i>Figure 12.1</i>	39
Table 13 Purchase department meets users supply needs with appropriate quality control	40
<i>Figure 13.1</i>	40
Table 14 Purchase department can efficiency in the time of urgency	40
<i>Figure 14.1</i>	41
Table 15 User department can conveniently contact the purchase department about an urgent supply need	41
<i>Figure 15.1</i>	41
Table 16 Users often complain about internal supply management	42
<i>Figure 16.1</i>	42
Table 17 Effective procurement and internal supply management.....	42
<i>Figure 17.1</i>	43
Table 18 Users satisfaction about involvement level with the procurement process.....	43
<i>Figure 18.1</i>	43
Table 19 Scopes of involvement with the procurement process for enhanced effectiveness of internal supply management.	44
<i>Figure 19.1</i>	44

Chapter-1

Introduction

Bangladesh has made striking progress on a range of social indicators over the last 15 years, an achievement widely credited to the country's pluralist service provision regime. The development sector as non-governmental organizations (development sector) have significantly expanded their services during this period and have shown that it is possible to scale up innovative experiments into nationwide programs.

The unique role of the development sector is not confined to the delivery of social services and pro-poor advocacy. They have developed commercial ventures in order to link poor producers with input and output markets, as well as to develop a source of internally generated revenue for the organizations. If we look forward, the 2005 Poverty Reduction Strategy Paper (PRSP) views the Development sector' role as an integral part of efforts to achieve national poverty reduction targets, particularly by delivering and facilitating pro-poor services. However, the rapid growth and diversification of the development sector has also given rise to questions and concerns. These include the viability of a regulatory framework developed when the size and scope of development sector was far more limited, the appropriate political and commercial spaces for development sector activities, trade-offs between development sector sustainability and pro-poor orientation, and the implications of different government-development sector partnerships. There has been little systematic review of the public policy implications of the changing character of development sector in Bangladesh Key activities and their impact: development sector provide a strikingly homogeneous set of services, with credit dominating. A survey (By Anu Mahmud; Source: The daily Financial Express; Topic: NGO-The socio Economic Impact in Bangladesh) of 300 development sector branches carried out by the World Bank in 2003 showed that while the total range of development sector interventions is wide, the typical development sector branch offices provide credit services, followed by health (56 per cent), sanitation (52 per cent), and education (45 per cent). A parallel community survey conducted as part of the 2003 development sector survey shows that the service delivery priorities identified by communities closely match the services that development sector provide. Public awareness and advocacy are also common areas of development sector work: 93 per cent of development sector branches reported awareness-raising activities, usually relating to sanitation, health, and social issues, while 42 percent reported having lobbied local or national government during the previous year. We now turn to the assessment of the three key services of micro-credit, health/ sanitation and education, as well as advocacy activities.

There are a number of ways in which donors provide direct financing to development sector in Bangladesh. The most common is funding for specific projects. Where financing needs are large, donor funds may be pooled and a donor-liaison function introduced to coordinate support and reduce transaction costs for the development sector. In some instances donors have financed the whole range of development sector activities, and in a few of these cases the institution develops into a different legal entity by the end of the funding period. In recent years, the recognition that partnerships with smaller development sector carry high transaction costs has increased reliance on wholesale vehicles, in which an agency manages a pool of money for which smaller projects compete.

Today many development projects are facing pressure due to reduced operating budgets from the donor. To respond to this challenge many development organizations in the country have resorted to tuition increases which the development organization is hesitant to endorse. Others have focused on examining their business processes; including the procurement process performance in order to reduce institution's operating expenses. **Knudsen Daniel (1999)** said on his 'Procurement Performance Measurement System' that a procurement process can be defined as all the activities required in getting a product or service from the supplier to a final destination or users. It encompasses the purchasing function, storing, transportation and manages the relations between suppliers and internal customers. It involves analysis, planning, implementation, and measurement. It is the actual way the need from an internal customer is taken to the supplier and then back again to the internal customer whose need is then satisfied. The procurement process is a flow that crosses functions. Within the process, a network of activities takes place in an ordered way transforming the internal customer's need, to the internal customer's satisfaction. In order for the procurement process to be efficient and effective, particularly in public institutions of any government, it consumes resources as the inputs and transforms them into output.

According to different rules, the projects initiated the public procurement and donor requirements and concern organizational policy. The size of development sector business had grown considerably and the centralized procurement system was characterized by several shortcomings found through TIB and print media, (National Integrity System Assessment Bangladesh by Professors Salahuddin Aminuzzaman and Sumaiya Khair) among which included:

a) Heavy clogging of tender requests and attendant bureaucratic delays;

- b) Inefficiency;
- c) Corruption; and
- d) Lack of transparency and accountability.

With the introduction of the procurement procedures in development sector one would expect an improvement in the performance of these institutions. However, it is puzzling that these institutions such as development sector are locked in financial distress to the extent of failure to expedite at the beginning of the project or close prematurely before the end of the project closing, or experience inadequate supply of required items to operate within the project period. For instance, different project depend on the range of goods and services which they use to deliver their core activities. These range from rudimentary and low value items such as pens and paper to new works and high value and complex items such as, IT enabled services to support business change, or technical advice or equipment to support research and development. Purchasers need to purchase goods and services of the right quality, at the most cost effective price, in the most economic quantities, and ensure that they are available when needed. Failure to meet any of these requirements can seriously affect a department's ability to meet its objectives and outputs and ultimately to deliver services to beneficiaries. Procurement is, therefore, strategically important to within project. However we find the primary data as discussed with various NGO in Bangladesh there is a constant stock out of most of the required items despite of procurement strategic plans developed and submitted by various departments to the purchasing departments. Most of these items range from laptops, publishing reports, printing paper, scarcity of toner, whiteboard markers, shortage of computers, cut off internet services and break down of printing and photocopying machines during/within the project period. This raises a question of whether the procurement process is carried out efficiently and effectively in development sector.

Bangladesh has a strong tradition of private philanthropic initiatives for humanistic and voluntary works for people's welfare. Many schools, colleges, hospitals and other voluntary initiatives for public service have their origin in the philanthropic values of caring and sharing. It is with the same spirit of caring and sharing that after the Liberation War in 1971 many dedicated individuals took initiatives for people's welfare, at the beginning in the form of relief and rehabilitation, which subsequently transformed into development sector working in wide ranging areas of development and social change. As a complimentary force to the state sector, development sector have made great contributions to public welfare, in many cases becoming national and international models which are being replicated in many countries of the world. Micro-finance, women empowerment, education, health, environment, rights-based awareness and demand creation are only a few examples of the whole range of areas in which development projects are actively and commendably involved in Bangladesh. Development

sector in Bangladesh are engaged in diverse activities – the same development sector may be involved in multiple areas of operation. Micro-credit is one of most common and increasingly popular type of operation of development sector because of the success of the model in reaching the poor, especially women, but also for the reason that it has also become a legally endorsed income generating activity helping development and sustainability of the development projects themselves. Other popular programs include education, health, family planning, environment, human rights, women and children welfare, etc. Most development projects rely upon funds received from foreign sources. International Development sector, development partners, foreign private organizations, and multinational organizations provide such fund. A World Bank Report (2003-04) informs that 34.10% of the foreign aid (US\$ 379.4 million) received by Bangladesh was allocated for the development sector. There are no estimates of funds from other sources that are involved in this ever growing sector. The development sector is also an important employment generating sector.

1.1 Statement of the Problem

With the introduction of the different procurement processes in development sector including local or international Development Sector there was hope that the performance of these institutions would improve. However there has been a persistent dissatisfaction of internal customers of such organization making it difficult to carry out their functions. Some organization have had to close operations prematurely and others delay to open for new project or activities due to lack of required materials to operate. If the procurement process is the actual way the need from an internal customer is taken to the supplier and then back again to the internal customer whose need is then satisfied then, this could be due to lack of efficient and effective procurement process in these organizations. Poor procurement practices delays the development of the country and its communities and also hinder the deliveries of basic services of the communities. Funds that could be used for creating public wealth by building new road networks, acquiring advance health care technology, building new hospitals, bringing tele communications to communities in remote areas and fulfilling many other pressing needs in the country used to correct inferior products and to settle high corruption cost.

Procurement-Related Anomalies were found the primary discussion and different audit report (Ex-. Save the Children, Financial Audit Report, FY-2014) with different organization both private and public sector i.e-

- At the end of the project period, unnecessary procurement is done to use up the allocated fund.
- During the procurement process, one original and two fake quotations are collected from the same vendor.

- Undue payment is collected from the vendor as a pre-condition of procurement.
- The tender procedure is not transparent.
- Fake vouchers are produced against procurement of old properties and machineries.

1.2 Objectives and Rational of the study

The purpose of the study was to evaluate the procurement process in the development sector of Bangladesh.

- To evaluate the procurement process in in the development sector of Bangladesh.
- To recommend an appropriate procurement process in the development sector of Bangladesh.
- Determine the procurement objectives through a literature review. The concern entities should comply with this objectives when carrying out their procurement activities.

The organization should apply leading procurement practices as an integrated tool. The organizational leadership and strategic management process should be used to evaluate organizations human resource and information technology capabilities to support and deliver on the strategic goals they have set for the organizations. Management should also consider whether the organizations internal policies and process are focused on delivering the kind of product or service as per organizations plans. Furthermore, performance management and customer focus should be kept in check in order to ensure that the organization deliver a service or product that would meet customer requirements and over all good performance. Overall these indicates that the leading procurement practices will operate optimally, as an integrated tools.

Proper procurement management process in public entities will assist public entities in achieving their business strategies or mandate, lead to better public service delivery, reduction in public service wastage and increased public wealth.

The study will be guided by the objectives of effectiveness of the Procurement Process in this sectors and recommend possible solutions to the Problem.

Moreover, we will survey within some leading development institutions and will find out how majority of responded indicated that their entities procurement budget is based on the strategic goals, pre-determined objectives and desired outcomes. These funds may however be spent on in appropriate goals and objective as the strategic goals are not based on customer input or market research. This will result in funds being budgeted /allocated based on strategy which does not reflect customer needs and therefore spending may not address/ meet customer needs, resulting in poor service in delivery and customer service.

Besides, the objective of the study is to determine leading procurement practices in order to achieve procurement goals and goals of the broader business strategy and also to discover the scope to which public entities comply with leading procurement practices.

However, it is confusing that these institutions such as development sector are locked in financial suffering to the scope of failure to beginning of the project or closing the project, or experience inadequate supply of required items to operate within the year. For instance, several projects depend on the range of goods and services which they use to deliver their core services of the project. Purchasers need to purchase goods and services of the right quality, at the most cost effective price, in the most economic quantities, and ensure that they are available when needed.

Chapter 2

Literature review

2.1 Introduction

In this chapter citation of literature about the procurement process, the procurement system and procurement process measurement will be done and conclusion will be drawn about what previous authors have found out.

2.2 Procurement

Procurement is the business management function that ensures identification, sourcing, access and management of the external resources that an organization needs or may need to fulfil its strategic objectives. Procurement exists to explore supply market opportunities and to implement resourcing strategies that deliver the best possible supply outcome to the organization, its stakeholders and customers. Procurement applies the science and art of external resource and supply management through a body of knowledge interpreted by competent practitioners and professionals. One of the difficulties in defining the term 'procurement' is that it does not deal with a single action or process. Procurement covers the complete range of events from the identification of a need for a good or service through to its disposal or cessation. The term 'procurement' in Australia is very similar to the term 'supply management'. Procurement includes activities and events before and after the signing of a contract as well as the general management activities associated with a range of contracts:

- pre-contract activities such as planning, needs identification and analysis, and sourcing,
- post-contract activities such as contract management, supply chain management and disposal, and general activities such as corporate governance, supplier relationship management, risk management and regulatory compliance.

Dobler and Burt (1996) mentioned that purchasing and procurement are often used interchangeably and van Weele (2000) added that some times the supply management or logistics management is also used. The definitions of purchasing are different but they have something in common. For example, "obtaining external products or a service" is something that they all have in common as is the fact that procurement should help the organization to reach its objectives attempts to sort out the confusion by drawing the differences. He says procurement includes all activities required in order to get the

product from the supplier to its final destination, whereas purchasing covers all activities for which the company receives an invoice from outside parties.

Dobler and Burt (1996) and found in CIPS journals that the overall purpose of a procurement policy manual should be to:

- Establish the legal authority³ of the procurement function within the organization
- Simplify, clarify, and reflect the laws governing procurement
- Enable uniform procurement policies throughout the organization
- Build public confidence in public procurement
- Ensure the fair and equitable treatment of everyone who deals with the procurement system
- Provide for increased efficiency, economy, and flexibility in public procurement activities and maximize to the fullest extent the purchasing power of the entity
- Foster effective broad-based competition from all segments of the supplier community
- Safeguard the integrity of the procurement system and protect against corruption, waste, fraud, and abuse
- Ensure appropriate public access to contracting information
- Foster equal employment opportunities that are in line with legal requirements, in the policies and practices of suppliers and subcontractors wishing to do business with the entity

2.3 Procurement Process

The procurement process can be defined as all the activities required in getting a product or service from the supplier to a final destination. The procurement process consumes the available resources in the purchasing department(input) to produce a product or service (output) that aims to satisfy the customer's needs. This implies that a process can be described at different levels with different magnitudes of details. Different authors have identified different steps carried out in the procurement process as shown in the table below-

Van Weele (2005)	Dobler and Burt (1996)	Pearson (1998)	PPDA Act, 2003
1. Define specifications	1. Recognizing, define and describe the need	1. Defining the procurement strategy	1. Procurement plan
2. Select suppliers	2. Transmit the need	2. Inviting tenders	2. Requisitioning
3. Contract agreements	3. Investigate quality and select the supplier	3. Evaluating tenders	3. Select procurement method
4. Ordering	4. Prepare and issue the purchase order	4. Awarding the contract	4. Invite bids
5. Expediting	5. Follow up the order	5. Managing how the contract is to be put in place	5. Receive bids
6. Evaluation	6. Receive and inspect the material	6. Managing the contract	6. Public bid opening
	7. Audit the invoice	7. Review and testing	7. Evaluation
	8. Close the order		8. Post qualification
			9. Negotiation
			10. Award decision
			11. Best evaluation bidder notice
			12. Award contract
			13. Contract management

UN projects procurement (Details in POPP) process (ERP based):

Business process (step-by-step), Responsibilities, Time frame;

Step #	Action	Responsible party
Step 1	Preparation of the Technical specification / TOR	Requesting unit
Step 3	Creation of ATLAS e-Requisition and preparation of the Service Request Form (SRF) as per the SRF Check-List.	Requesting unit
Step 4	Approval e-REQ and sending the Service Request Form (SRF) to the Operations Registry	Project Manager/ Budget owner
Step 5	Registration of received SRF in the SRF Monitoring system + Verification of supporting.	Procurement unit
Step 6	Preparation of bidding documents (RFQ/RFP)*	Procurement unit
Step 7	Solicitation process (period for bid preparation/submission)	Vendors
Step 8	Bid opening - in presence of the Evaluation committee	Eval. committee
Step 9	Evaluation process: (could be: technical and financial)*	Eval. committee
Step 10	PO issuance / Contract preparation and Contract negotiation	Request. unit & Procurement unit
Step 11	PO approval in ATLAS / Contract signing	Approv. Manager
Step 12	Receipt of goods/services (RIR report)	Requesting unit
Step 13	Submission of Payment request	Requesting unit
Step 14	Payment process	Finance Unit
Step 15	PO closure	Buyer

BRAC Procurement Guidelines and Implementation Procedures(Brac procurement Guidelines):

Document	OTM	LTM	QM	DPM
Requisition	Yes	Yes	Yes	Yes
Specifications/Terms of Reference	Yes	Yes	Yes	Yes
Note Approval for Newspaper Advertisement	Yes	No	No	No
Advertisement Notice Approval	Yes	No	No	No
Copy of Actual Advertisement	Yes	No	No	No

IFT/RFQ/RFP	Yes	Yes	Yes	No
Approval of Tender Documents' Sale by Accounts	Yes	No	No	No
Records of Tender Documents' Sale by Accounts	Yes	No	No	No
Approval of Venue for Tender Opening	Yes	No	No	No
Approval of Security for Tender Opening	Yes	No	No	No
Tender Submission Records	Yes	No	No	No
Attendance Sheets (BRAC Staff, Tenderers) during Tender Opening	Yes	Yes	No	No
Initial Comparative Statement (Tender Opening)	Yes	Yes	No	No
Tender/Quotation Documents	Yes	Yes	Yes	No
Record of Tender Security	Yes	No	No	No
Comparative Statement	Yes	Yes	Yes	No
Notice for TEC Meeting	Yes	No	No	No
Approval Sheet by TEC/Appropriate Authority	Yes	Yes	Yes	No
Notice for Approval/Approval	Yes	Yes	Yes	Yes
Contract/Work Order	Yes	Yes	Yes	No

Save the Children Bangladesh-Local Procurement Policy and Procedures (Ref: Country Logistics manual for Bangladesh):

Step	Description of Task
1	Procurement Plan is made at proposal submission. Donor policy is checked in case waivers required
2	Waivers are completed with the donor if required and according to SCI policy. Donor and SCI policy only allow very few cases for waivers. (See global policy for allowable exemptions)
3	Goods/services requiring tender are pre-planned (specification defined, award criteria decided, importation and tax exemption rules clarified, prequalification.)
4	If the Approved Suppliers database does not have suppliers for the goods/services requested the prequalification process can be prepared and executed now to save time latter
5	Prequalification evaluation. The pre-qualification questionnaire should focus on the suppliers' legitimacy and quality, not on price and service; these latter elements will be examined in a subsequent bidding procedure

6	Procurement plan is revised and finalised at award opening.
7	Procurement requests are submitted as per plan
8	Tender pack is prepared as per need (e.g. splitting into lots, award criteria, advertisement channels, etc.) and launched
9	Suppliers prepare and return bids including samples if requested
10	Due diligence checks
11	Bid evaluation and recommendations providing justification against award criteria. Bids should be reviewed by the committee and the CBA completed under their instruction. Supplier visits if required.
12	Supplier negotiation and contract preparation
13	Contract signing
14	Supplier enlistment in Agresso/ SCMS software system
15	Supplier preparation of goods and delivery
16	Delivery of goods/services (either completely or partially). Work completion certificate for construction, Goods Received Note (GRN), etc.
17	Procurement Payment Process forwarded to Finance

Public Procurement in Bangladesh:

The public procurement procedures and practices have evolved over the years from the days of British and subsequently Pakistani rule. A Compilation of General Financial Rules (CGFR) originally issued under British rule was slightly revised in 1951 under Pakistani rule and was reissued in 1994 and again in June 1999 with very few changes (World Bank, 2002).

Since independence in 1971, the public procurement practices have been influenced by the World Bank, the Asian Development Bank, and other donors since the bulk of public procurement is externally funded. Some departments, autonomous boards, and public undertakings have drafted their own set of procedures or a manual based on CGFR principles, and the rest follow the PWD code (World Bank, 2002).

In 1999, the World Bank and the Asian Development Bank conducted joint review of the country portfolio performance and prepared an action plan for government on public procurement. In 2002, the World Bank prepared Country Procurement Assessment Report (CPAR) in agreement with Government of Bangladesh, identified several deficiencies in the procurement system of the GoB, which as follows-

- Absence of sound legal framework governing public sector procurement
- Complex bureaucratic procedure causing delay.
- Lack of adequate professional competence of staff to manage public procurement.
- Generally poor quality bidding documents and bid evaluation.
- Ineffective administration of contract.
- Absence of adequate mechanism for ensuring transparency and accountability.

The Government approved the implementation of the “Public Procurement Reform Project” with IDA assistance on 14 February 2002. In the context of escalating concerns for streamlining the country’s public procurement system, the government undertook an array of reforms in order to strengthen the public procurement regime. The reform process ultimately led to the making and issuance of Public Procurement Regulations in 2003, providing a unified procurement processing system. The PPR, 2003 was supplemented by Public Procurement Processing and Approval Procedures (PPPA), a revised Delegation of Financial Powers (DOFP) and several Standard Tender Documents (STDs) and Standard Request for Proposal Documents for the procurement of goods, works and services. Further later, in order to intensify the improvement measures in the public procurement system, the House of the Nation enacted the much desired law, the PPA, 2006. Under the Act of 2006, the PPR, 2003 was framed and issued, which replaced the Public Procurement Regulations, 2003 which until then continued to have effect (Hoque, Ridwanul, 2010).

In early 2011, the Government of Bangladesh took a mile stone decision to introduce “electronic government procurement” e-GP as provisioned under Section 65 of Public Procurement Act, 2006 and Rule 128 of Public Procurement Rules, 2008, for further scaling up the reform leading to modern ICT based procurement system.

The slow procurement performance under different projects led to the Country Procurement Assessment of prevailing public procurement policy, framework, institutions and staff skills in 2001. The Country Procurement Assessment Report (CPAR) which was prepared by World Bank, in agreement with the Government of Bangladesh, identified many deficiencies, including the following major deficiencies, in the procurement system of the Government of Bangladesh:

- Absence of sound legal framework governing public sector procurement
- Complex bureaucratic procedure causing delay
- Absence of planning
- Multiple layers in the approval and review process
- Lack of adequate professional competence of staff to manage public procurement

- Generally poor quality bidding documents and bid evaluation
- Ineffective administration of contracts
- Absence of adequate mechanism for ensuring transparency and accountability.

2.4 Strategic capabilities in procurement:

The starting point for identifying distinctive capabilities within a process is the systematic review of the purposes such a process is expected to achieve (Barney and Bright, 1998) A careful review of the literature reveals that scholars attribute two general goals to procurement (Lambert and Cooper, 2000; Skjott-larsen et.al, 2003; Christopher and Gattorna 2005; Wisner, 2003 Piramuth, 2005): to ensure an uninterrupted flow of raw materials at the lowest total cost, and to improve the quality of the final product and to react rapidly to market changes. The process efficiency capability has an “inside” dimension, since it specifically refers to the procurement department and its core activities. For instance, a firm with bargaining power in relation to suppliers and/or with established routines in managing inventories is likely to be process efficient. The process integration capability takes into account an “outside” dimension, since it refers to the role of the procurement department across the whole supply chain. For instance, a firm with a closer set of relationships between its marketing department, operations and procurement is likely to have a process integration capability.

2.5 Process efficiency capability

The reduction of purchasing costs has always been recognized as one of the most significant purposes in procurement (Collis and Montgomery, 1995), since the average manufacturing firm spends about half its sales revenue on activities related to the purchase of materials. Cost reductions in the procurement domain allow the firm to pursue price competition strategies in downstream markets and sustain growth (Christopher and Gattorna 2005). In procurement, the OM literature identified two main sources of costs: purchase prices and costs associated with the internal work flow of activities complementary to transactions (Kopczak and Johnson, 2003). Accordingly, a general capability to generate and sustain lower procurement costs should reflect the sub-capabilities to keep purchase prices and the costs of complementary activities at a low level. Purchase prices can be reduced when a firm has a superior capacity to manage the upstream vertical market relations with both current and potential suppliers (Kopczak and Johnson, 2004). Except in the case of strategic materials, by building a large supply base, a firm is able to avoid investing too much in a single transaction, thus reducing the risk of opportunism on the part of a limited number of suppliers (Kraljic, 1983; Kim and Umanath, 2005). Another option for reducing procurement costs is related to a firm's capacity to manage internal activities complementary to transactions (such as delivery, inventory, settlement, and billing) in an

efficient manner. The literature suggests that cost savings can also result from the development of procurement routines, which make the process more efficient and avoid waste (Lambert and Cooper, 2005). These routines, developed over time, enable the coordination of tasks and improved workflow management within the procurement department.

2.6 Pareto Principle

The Pareto Principle has expression in many fields of procurement. One is that a small number of categories represent the majority of the total spend and a small number of suppliers cause a disproportionate number of the problems. The principle has also evolved into the '80:20 rule', which underpins many situations in economics and management where scarce effort needs to be focused to best effect. For example, if 20% of all purchase transactions account for 80% or more of the total spend, focusing on these acquisitions, so that managerial effort is used to best effect can optimize the return on procurement effort. Pareto analysis is usually seen as one dimensional, as it does not consider the business impact of the categories, or the market complexity.

2.7 Procurement performance measurement system (PPMS):

As can be seen from the definitions of performance measurement, in order for an organization to achieve its goals to satisfy its customer, the two most fundamental dimensions of performance are efficiency and effectiveness (Kotter 1978; Neely, 1999). Efficiency measures how successfully the inputs have been transformed into output while effectiveness measures how successfully the system achieves its desired output. The performance measurement system must span the same part of the supply chain that the purchasing department has control over. This part of the supply chain, spanning from suppliers to internal customers, is labeled the supply link. The supply link consists of two main relationships. The relationship between the purchasing department and the internal customer. The relationship between the purchasing department and suppliers. These components are illustrated as follows: The supply link must be measured in a way that lets the decision maker understand how the efforts affect the results. In order to be able to measure and control the procurement process in order to improve it, it has to be mapped properly (Blomberg, 2006). Blomberg, (2006) states that a suitable way to govern purchasing is through target setting and measuring. They state that this could be done through key performance indicators (KPI). These are divided into seven categories:

- price related KPIs
- quantity related KPIs
- delivery related KPIs
- inventory related KPIs

- saving related KPIs
- activity related KPIs
- others

Van Weele (2005) presents two areas in which purchasing performance can be measured i.e. purchasing effectiveness and purchasing efficiency. He states that purchasing effectiveness is a measure of what has been accomplished and purchasing efficiency is a measure of what resources has been used to accomplish it. Procurement involves numerous activities, consisting of many material and information flows. It is not as simple as to just convey a need from an internal customer to a supplier and then deliver the item to the internal customer. Instead, this process consists of activities that are continuously changing in intensity, duration and quality, thus producing variations in performance, efficiency and effectiveness of the purchasing department's work (Knudsen, 1999). Since acquiring external sources in order to satisfy internal needs is a job with many varieties and options, it is important to consider the conditions and environment for procurement in order to produce good results. This also implies that a strategic plan for acquiring external sources has to exist, operating procedures have to be designed, customer needs have to be fulfilled and supplier markets have to be surveyed in advance (Knudsen, 1999).

The overall objective of the PPMS is to bring about knowledge about the procurement performance at PDE level as well as at the level of PPDA itself. By doing so, PPMS aims to assist the PPDA in two important respects:

- To guide and adjust the continued public procurement reform efforts led by PPDA (Procurement and Disposal of Public Assets Authority).
- To inform external stakeholders (Ministry of Finance, Auditor General, development partners, the public) about the results of the activities carried out by PPDA (Procurement and Disposal of Public Assets Authority).

In short the PPMS is designed to make it possible to measure procurement performance, throughout the procurement cycle, allowing for tracking of progress over time. In this way, the system will enable the PPDA to analyze performance related strengths and weaknesses throughout the procurement cycle (for example weaknesses related to procurement planning, bid evaluation, or contract management practices), to support such weaknesses through targeted capacity development interventions, and to report on progress to different stakeholders.

2.8 The Procurement performance measurement system PPMS cycle:

The PPMS is designed as a permanent monitoring system revolving around four core steps, which together constitute a recurring monitoring cycle as illustrated below.

1. Collecting Data
2. Aggregating Data
3. Reporting Analysis
4. Using findings

The four consecutive steps of the PPMS cycle together represent the milestones of the system and constitute the framework for measuring procurement performance. Procurement Performance Measurement System – User’s Guide 5/30.

Each step has its own set of activities, players and associated tools. For example, the data collection is carried out through a number of developed questionnaires, while the data aggregation and reporting steps utilize electronic databases and reporting tools designed to provide targeted information in selected performance areas. At the same time, the system avoids duplication by complementing and building on existing monitoring tools, for example by drawing upon data already collected via audits, compliance checks, monthly reports, etc.

Furthermore, the PPMS enable focused analysis of the progress and development within particular sectors. As an example the PPDA may choose to analyze the health sector procurements more closely due to concerning data reports and find out that too many bidders are rejected in the preliminary examination. Based on the information, specific strategic and practical steps can be taken to improve performance – and in that way move the procurement reform process forward.

2.9 Conclusion

Different authors on procurement process give divergent numbers of steps to be followed in the procurement process though the first step is similar with Van Weele (2005), Pearson (1998) and Dobler and Burt (1996). They all emphasize on defining specification. However the PPDA Act, 2003 outlines a fifteen step procurement process beginning with the procurement plan. Blomberg, (2006), says that for a procurement process to perform effectively and efficiently, it should be measured and he provides key performance indicators.

2.10 Questionnaire Survey

Questionnaire survey was one of the main sources of the study to collect primary data in respect of involvement with preparation of supply needs; placement of purchase department needs once in a year or half yearly; access to allowed to place user department needs to purchase department any time in a year; involved with preparation/review of the specification and quantity of the supply; practice of

consultation within the purchasing department and user departments (if any change is needed) in the requisition and specification; during procurement process user department usually consulted by the purchasing department about price setting/review of the supply; user department involvement about vendor selection for the supply, determining the supply schedule by the vendor, during quality check of the supply, meets supply needs with appropriate quality control; supply needs on time, as per specification/requirement for user department; Purchase department can effectively deal with an unpredicted supply need urgently, process of organization maintains an effective procurement and internal supply management; satisfaction with user department involvement level with the procurement process. There are further scopes of involvement with the procurement process for enhanced effectiveness of internal supply management. Questionnaires were distributed to the respondents for their voluntary filling up and when filled up, those were collected by the researcher. A set of the questionnaire is appended as Annexure I.

2.11 Key Informant Interview

To collect such information, key person for an individual development organization was searched and identified through observation and as well as through discussion with some officials of the organization. Key informant of a particular included anyone of the following personnel:

- ❑ the different project manager, M&E officials, of the e-governance focal point/team of the respective ministry/division,

Chapter 3

3.1 Introduction

This chapter is intended to give a methodology of answering research questions formulated in chapter three with the aim of achieving the objective of the study. It includes selection of the sample designing data collection tool and methods of data analysis

3.2 Research design

The study was cross-sectional in which primary data was collected on the procurement process. To achieve the objectives of the study literature on prior was reviewed.

3.3 Methodology

It is an explorative nature of study. Both primary and secondary data are used. Primary data collected from participants of different NGO/ development project staffs, one short course participant's members through questionnaire survey. Group discussion method also used in a limited scale. Course evaluation report and other documents are used as secondary data. SPSS and other statistical procedure are used for data analysis and presentation. The study report is presented in 3 chapters.

The first chapter compacts with the introduction, statement of the problems, objectives, rational of the research. The second chapter covers literature review of the projects. The third chapter details the methodology, research design. A comparative picture is also provided in this chapter. Chapter covers the data analysis. Chapter five general information and missions and goals of development projects in Bangladesh etc. In the final and sixth chapter findings of the study, recommendations and conclusion are furnished.

3.4 The population

The population survey included 1 procurement department, 12 Projects among 4 development sector. The choice of the internal projects and other projects will be done purposively. This is because they directly contribute to the development of the procurement plan, requisition and use the materials procured.

3.5 The sample size

Sample of the 22 respondents was drawn, taking user department of different development sector organization. The sample was drawn purposively to capture the ideas of those who participate in the

procurement process and use the materials procured. Questionnaire technique of survey method was used to collect primary data from the Procurement Personnel of Procuring Entities in development sector of Bangladesh. Random sampling method was used to select 22 nos. participants (4 nos. from procuring entities, 18 nos. from users) who were engage in development sector of Bangladesh. Total 20 queries of each set questions for Procuring Entities and users.

3.6 Data Collection

Primary data was collected by means of a questionnaire which was distributed to the expected respondents. A total 30 questionnaires were distributed and 22 of them were returned which was a 66% response.

Chapter 4

4.1 Data Analysis

The data collected was analyzed using descriptive statistical methods. This was to describe the procurement process in some development agencies and development sectors in Bangladesh. Analyzed data was presented using tables, interpreted and conclusion and recommendations were made. Experimental outcomes from the questionnaires implemented on selected respondents are presented below

Graphical and Demographic presentation:

Q-1: I am involved with preparation of supply needs

Ans: Strongly/ Moderately agree/ Do not agree

Table 1 User department involvement in the stage preparation of supply needs

		Frequency	Percent	Valid Percent	Cumulative Percent		
Valid	Strongly Agree	12	60.0	60.0	60.0	Strongly Agree	60.0
	Moderately Agree	8	40.0	40.0	100.0	Moderately Agree	40.0
	Total	20	100.0	100.0			

Figure 2.1

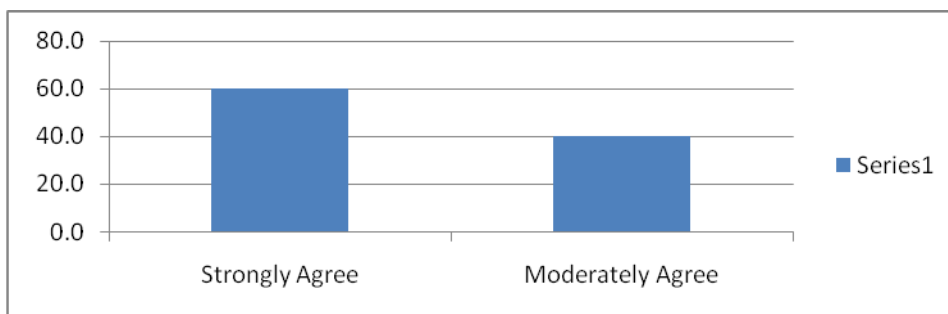


Table 1 shows that major (%) of user department i.e. 60% are involve in the preparation of procurement process, thus there is a big scope to initiation to complete any quality procurement.

Q-2: I am allowed to place my needs to purchase department once in a year or half yearly
 Ans: Strongly/ Moderately agree/ Do not agree

Table 3 General practices of User department purchase request submission to purchase department once in a year or half yearly

		Frequency	Percent	Valid Percent	Cumulative Percent		
Valid	Strongly Agree	8	40.0	40.0	40.0	Strongly Agree	40.0
	Moderately Agree	6	30.0	30.0	70.0	Moderately Agree	30.0
	Do not agree	6	30.0	30.0	100.0	Do not agree	30.0
	Total	20	100.0	100.0			

Figure 4.1

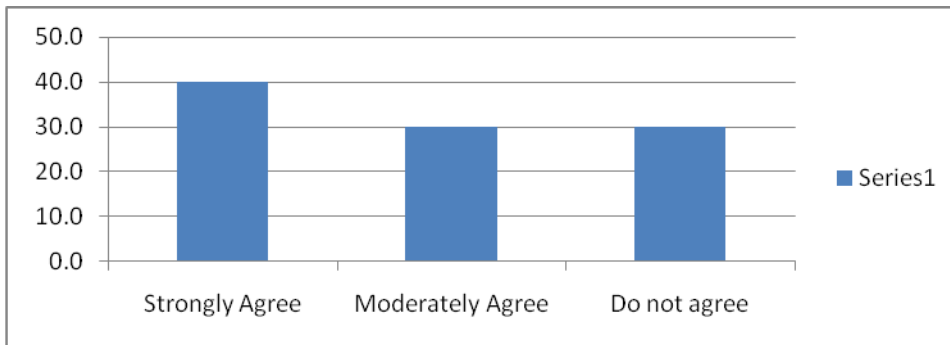


Table 2 shows that major 40% users agree that they can place their requirements in purchase department once in a year or half yearly and other 30% moderately agreed and rest 30% did not agree with this situation. So, here we find a very complicated situation which generally makes complication for ensure effective procurement.

Q-3: I am allowed to place my needs to purchase department any time in a year
 Ans: Strongly/ Moderately agree/ Do not agree

Table 5 Allowing to place needs to purchase department for a year

		Frequency	Percent	Valid Percent	Cumulative Percent		
Valid	Strongly Agree	13	65.0	65.0	65.0	Strongly Agree	65.0
	Moderately Agree	6	30.0	30.0	95.0	Moderately Agree	30.0
	Do not agree	1	5.0	5.0	100.0	Do not agree	5.0
	Total	20	100.0	100.0			

Figure 6.1

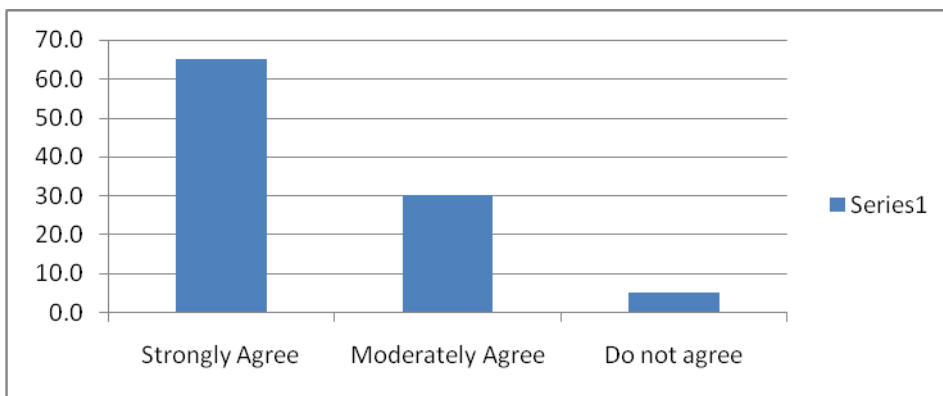


Table 3 shows that major 65% can place their needs to purchase department where as 30% moderately agreed and 5% did not agree.

Q-4: I am involved with preparation/review of the specification and quantity of the supply.

Ans: Strongly/ Moderately agree/ Do not agree

Table 7 involvement for preparation/review of the specification and quantity of the supply

		Frequency	Percent	Valid Percent	Cumulative Percent		
Valid	Strongly Agree	5	25.0	25.0	25.0	Strongly Agree	25.0
	Moderately Agree	7	35.0	35.0	60.0	Moderately Agree	35.0
	Do not agree	8	40.0	40.0	100.0	Do not agree	40.0
	Total	20	100.0	100.0			

Figure 8.1

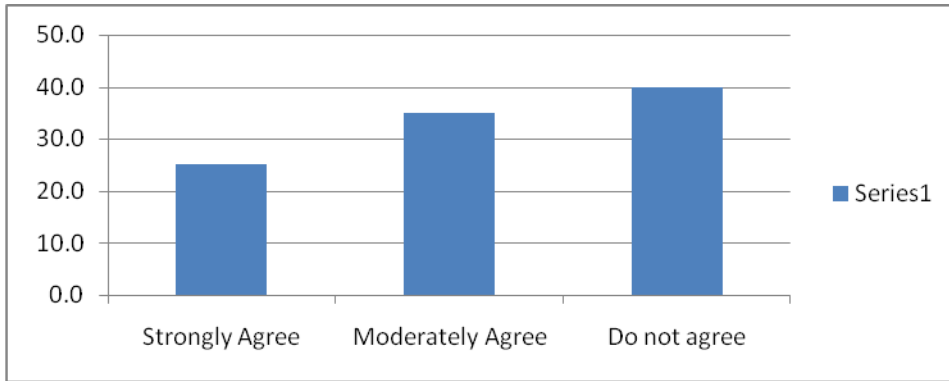


Table 4 shows that only 25% are involved in the preparation or review process of the specification and quantity of supply and 35% moderately agreed and 40% did not involve in this reviewing process. Here, we find the very strong findings for ensure effective procurement.

Q-5: I am usually consulted by the purchasing department if any change is needed in the requisition and specification.

Ans: Strongly/ Moderately agree/ Do not agree

Table 9 usually consultation with purchasing department if any change is needed in the requisition and specification.

		Frequency	Percent	Valid Percent	Cumulative Percent		
Valid	Strongly Agree	14	70.0	70.0	70.0	Strongly Agree	70.0
	Moderately Agree	5	25.0	25.0	95.0	Moderately Agree	25.0
	Do not agree	1	5.0	5.0	100.0	Do not agree	5.0
	Total	20	100.0	100.0			

Figure 10.1

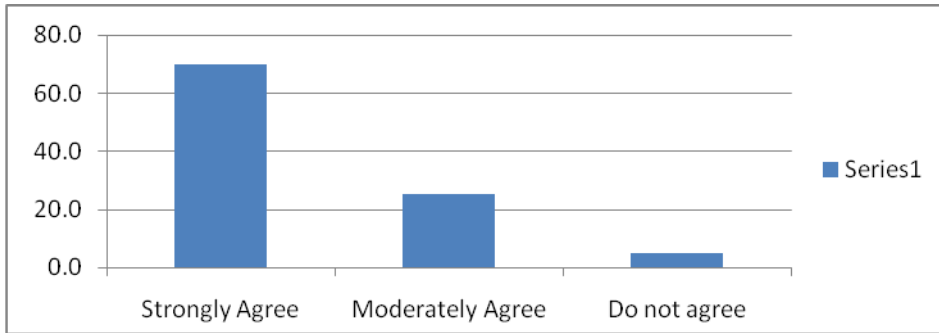


Table 5 shows that major 70% of user department can consult with purchase department for any changes of their needs and 25% moderately agreed and rest 5% did not agree.

Q-6: During procurement process I am usually consulted by the purchasing department about price setting/review of the supply.

Ans: Strongly/ Moderately agree/ Do not agree

Table 11 Consulting with the purchasing department about price setting/review of the supply

		Frequency	Percent	Valid Percent	Cumulative Percent		
Valid	Strongly Agree	14	70.0	70.0	70.0	Strongly Agree	70.0
	Moderately Agree	5	25.0	25.0	95.0	Moderately Agree	25.0
	Do not agree	1	5.0	5.0	100.0	Do not agree	5.0
	Total	20	100.0	100.0			

Figure 12.1

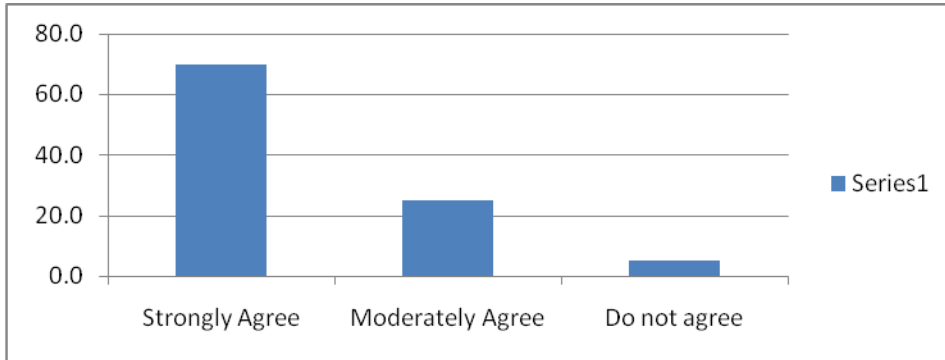


Table 6 shows that major 70% can participate the reviewing of price setting stage and 25% moderately agreed and rest 5% did not agree.

Q-7: During procurement process I am usually consulted by the purchasing department about vendor selection for the supply.

Ans: Strongly/ Moderately agree/ Do not agree

Table 13 Consulting with the purchasing department about vendor selection for the supply.

		Frequency	Percent	Valid Percent	Cumulative Percent		
Valid	Strongly Agree	10	50.0	50.0	50.0	Strongly Agree	50.0
	Moderately Agree	8	40.0	40.0	90.0	Moderately Agree	40.0
	Do not agree	2	10.0	10.0	100.0	Do not agree	10.0
	Total	20	100.0	100.0			

Figure 14.1

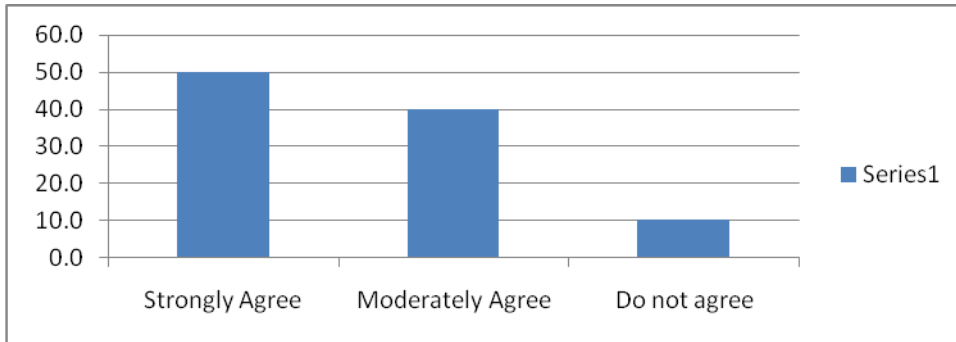


Table 7 shows that major 50% agreed that they participate in the stage of vendor selection of the supply and 40% of users moderately agreed. 10% of user did not agree that they cannot participate for vendor selection process.

Q-8: I am usually consulted about determining the supply schedule by the vendor.

Ans: Strongly/ Moderately agree/ Do not agree

Table 15 Consulting about determining the supply schedule by the vendor.

		Frequency	Percent	Valid Percent	Cumulative Percent		
Valid	Strongly Agree	9	45.0	45.0	45.0	Strongly Agree	45.0
	Moderately Agree	6	30.0	30.0	75.0	Moderately Agree	30.0
	Do not agree	5	25.0	25.0	100.0	Do not agree	25.0
	Total	20	100.0	100.0			

Figure 16.1

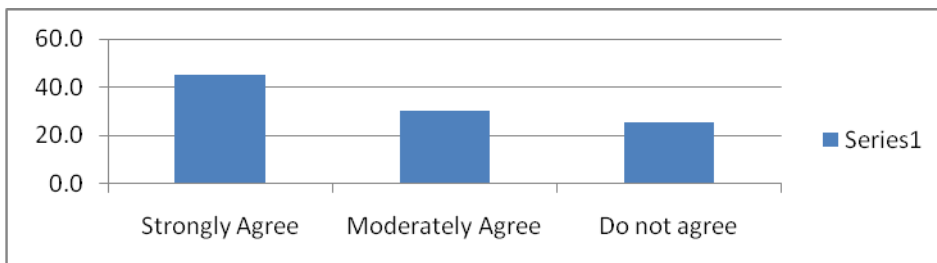


Table 8 shows that major 45% users department agreed that they are consulted about determining the supply schedule by the vendor and 30% moderately agreed and rest 25% did not agree.

Q-9: I am usually consulted during quality check of the supply

Ans: Strongly/ Moderately agree/ Do not agree

Table 17 Consulting during quality check of the supply

		Frequency	Percent	Valid Percent	Cumulative Percent		
Valid	Strongly Agree	10	50.0	50.0	50.0	Strongly Agree	50.0
	Moderately Agree	8	40.0	40.0	90.0	Moderately Agree	40.0
	Do not agree	2	10.0	10.0	100.0	Do not agree	10.0
	Total	20	100.0	100.0			

Figure 18.1

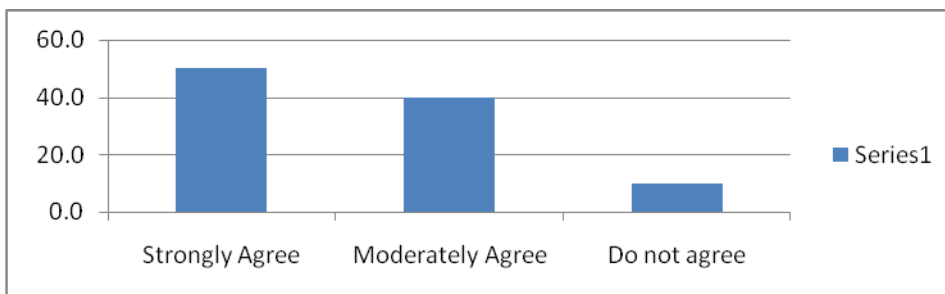


Table 9 shows that major 50% of users department agreed that they are usually consulted during quality check of the supply and 40% users moderately agreed and 10% did not agree.

Q-10: Purchase department seeks my feedback/experiences about the supply

Ans: Strongly/ Moderately agree/ Do not agree

Table 19 Purchase department seek user's department feedback/experiences about the supply

		Frequency	Percent	Valid Percent	Cumulative Percent		
Valid	Strongly Agree	11	55.0	55.0	55.0	Strongly Agree	55.0
	Moderately Agree	8	40.0	40.0	95.0	Moderately Agree	40.0
	Do not agree	1	5.0	5.0	100.0	Do not agree	5.0
	Total	20	100.0	100.0			

Figure 20.1

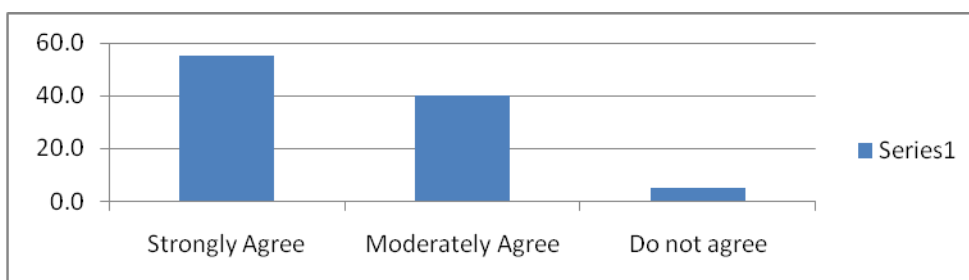


Table 10 shows that major 55% of users department agreed that Purchase department seeks their feedback/experiences about the supply and 40% of users moderately agreed and 5 % did not agree.

Q-11: Purchase department meets my supply needs on time.

Ans: Strongly/ Moderately agree/ Do not agree

Table 21 Purchase department meets users supply needs on time

		Frequency	Percent	Valid Percent	Cumulative Percent		
Valid	Strongly Agree	4	20.0	20.0	20.0	Strongly Agree	20.0
	Moderately Agree	16	80.0	80.0	100.0	Moderately Agree	80.0
	Total	20	100.0	100.0			

Figure 22.1

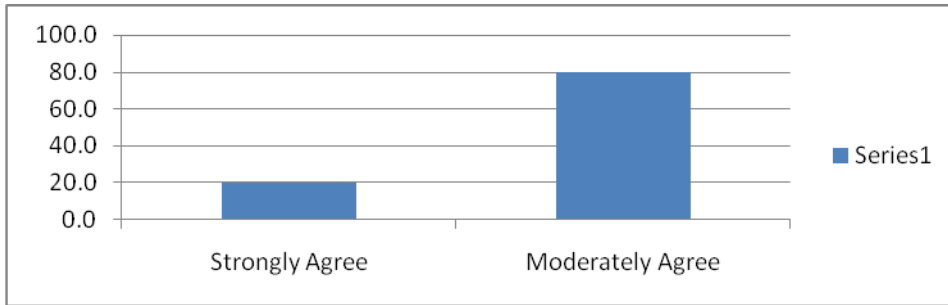


Table 11 shows that major 80% of users department show their frustration that purchase department usually does not meet supply needs on time whereas only 20% moderately agreed.

Q-12: Purchase department meets my supply needs as per specification/requirement.

Ans: Strongly/ Moderately agree/ Do not agree.

Table 23 Purchase department meets users supply needs as per specification/requirement

		Frequency	Percent	Valid Percent	Cumulative Percent		
Valid	Strongly Agree	16	80.0	80.0	80.0	Strongly Agree	80.0
	Moderately Agree	3	15.0	15.0	95.0	Moderately Agree	15.0
	Do not agree	1	5.0	5.0	100.0	Do not agree	5.0
	Total	20	100.0	100.0			

Figure 24.1

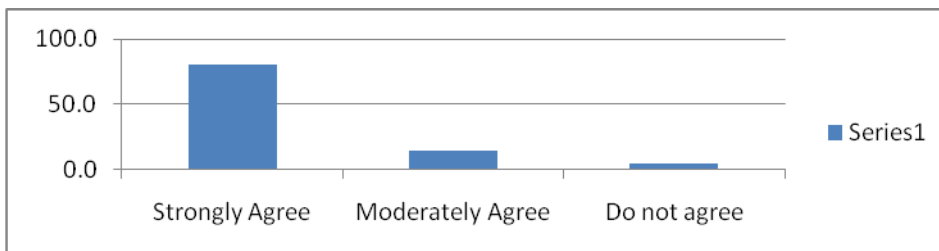


Table 12 shows that major 80 % of users department agreed that Purchase department meets their supply needs as per specification/requirement and 15% moderately agreed and rest 5% did not agree.

Q-13: Purchase department meets my supply needs with appropriate quality control

Ans: Strongly/ Moderately agree/ Do not agree.

Table 25 Purchase department meets users supply needs with appropriate quality control

		Frequency	Percent	Valid Percent	Cumulative Percent		
Valid	Strongly Agree	14	70.0	70.0	70.0	Strongly Agree	70.0
	Moderately Agree	6	30.0	30.0	100.0	Moderately Agree	30.0
	Total	20	100.0	100.0			

Figure 26.1

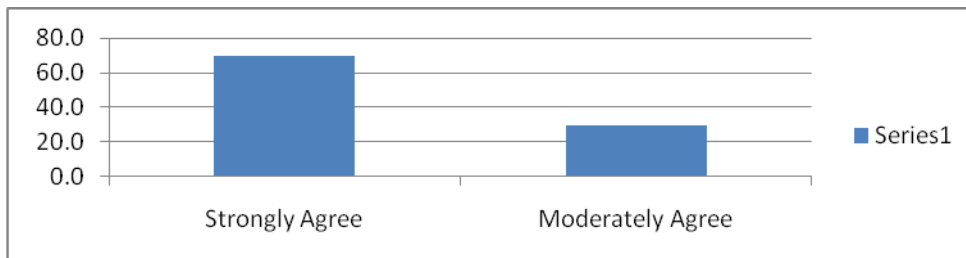


Table 13 shows that major 70% of users department agreed that Purchase department meets their supply needs with appropriate quality control whereas rest 30% moderately agreed.

Q-14: Purchase department can effectively deal with an unpredicted supply need urgently

Ans: Strongly/ moderately agree/ Do not agree.

Table 27 Purchase department can efficiency in the time of urgency

		Frequency	Percent	Valid Percent	Cumulative Percent		
Valid	Strongly Agree	10	50.0	50.0	50.0	Strongly Agree	50.0
	Moderately Agree	10	50.0	50.0	100.0	Moderately Agree	50.0
	Total	20	100.0	100.0			

Figure 28.1

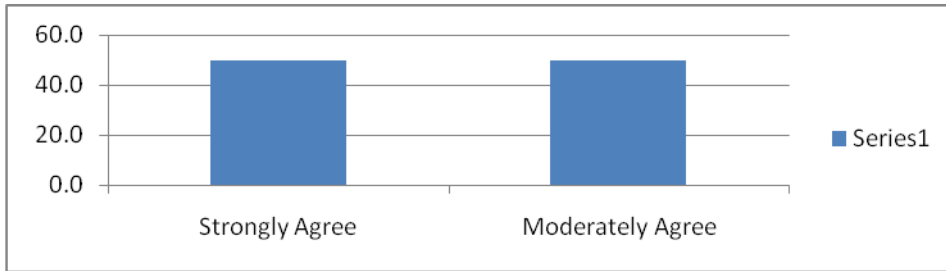


Table 14 shows that 50% of users department agreed that Purchase department can effectively deal with an unpredicted supply need urgently whereas rest 50% moderately disagreed.

Q-15: I can conveniently contact the purchase department about an urgent supply need

Ans: Strongly/ Moderately agree/ Do not agree

Table 29 User department can conveniently contact the purchase department about an urgent supply need

		Frequency	Percent	Valid Percent	Cumulative Percent		
Valid	Strongly Agree	16	80.0	80.0	80.0	Strongly Agree	80.0
	Moderately Agree	3	15.0	15.0	95.0	Moderately Agree	15.0
	Do not agree	1	5.0	5.0	100.0	Do not agree	5.0
	Total	20	100.0	100.0			

Figure 30.1

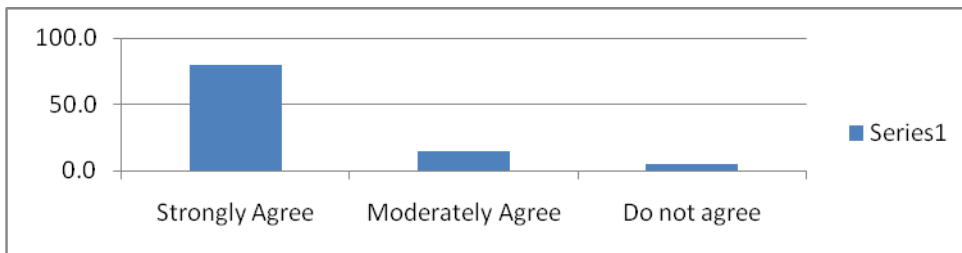


Table 15 shows that major 80% of users department can conveniently contact the purchase department about an urgent supply need whereas rest 20% did not agree.

Q-16: I often complain about internal supply management

Ans: Strongly/ Moderately agree/ Do not agree

Table 31 Users often complain about internal supply management

		Frequency	Percent	Valid Percent	Cumulative Percent		
Valid	Strongly Agree	3	15.0	15.0	15.0	Strongly Agree	15.0
	Moderately Agree	11	55.0	55.0	70.0	Moderately Agree	55.0
	Do not agree	6	30.0	30.0	100.0	Do not agree	30.0
	Total	20	100.0	100.0			

Figure 32.1

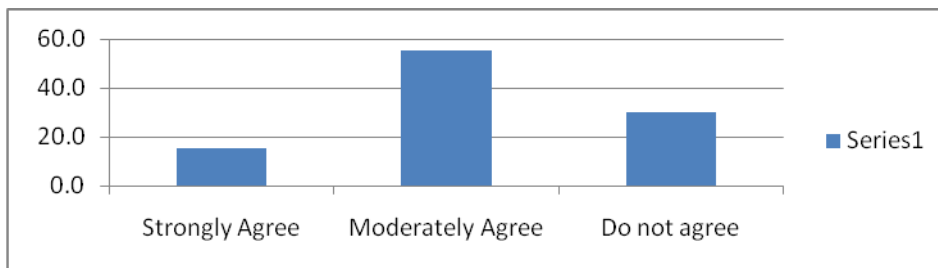


Table 16 shows that only 15% of users department often complain about internal supply management and major 55% moderately agreed and rest 30% did not agree.

Q-17: My organization maintains an effective procurement and internal supply management

Ans: Strongly/ Moderately agree/ Do not agree

Table 33 Effective procurement and internal supply management

		Frequency	Percent	Valid Percent	Cumulative Percent		
Valid	Strongly Agree	13	65.0	65.0	65.0	Strongly Agree	65.0
	Moderately Agree	7	35.0	35.0	100.0	Moderately Agree	35.0
	Total	20	100.0	100.0			

Figure 34.1

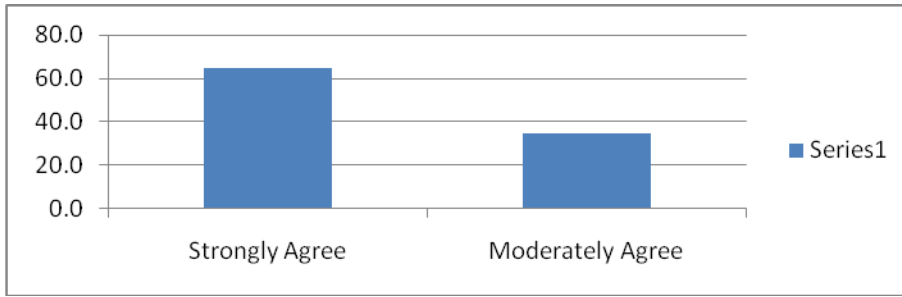


Table 17 shows that major 65% of users department agreed that their organization maintains an effective procurement and internal supply management and rest 35% did not agree.

Q-18: In respect of my supply needs I am quite satisfied with my present involvement level with the procurement process.

Ans: Strongly/ Moderately agree/ Do not agree

Table 35 Users satisfaction about involvement level with the procurement process.

		Frequency	Percent	Valid Percent	Cumulative Percent		
Valid	Strongly Agree	8	40.0	40.0	40.0	Strongly Agree	40.0
	Moderately Agree	6	30.0	30.0	70.0	Moderately Agree	30.0
	Do not agree	6	30.0	30.0	100.0	Do not agree	30.0
	Total	20	100.0	100.0			

Figure 36.1

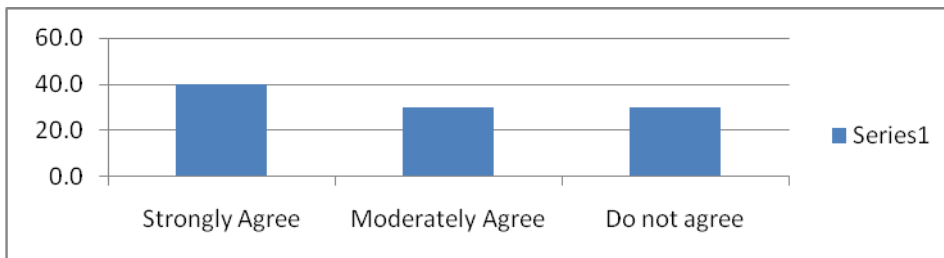


Table 18 shows that major 40% of users department agreed that they are quite satisfied with their present involvement level with the procurement process and 30% moderately agreed and rest 30% did not agree.

Q-19: There are further scopes of involvement with the procurement process for enhanced effectiveness of internal supply management.

Ans: Strongly/ Moderately agree/ Do not agree

Table 37 Scopes of involvement with the procurement process for enhanced effectiveness of internal supply management.

		Frequency	Percent	Valid Percent	Cumulative Percent		
Valid	Strongly Agree	11	55.0	55.0	55.0	Strongly Agree	55.0
	Moderately Agree	9	45.0	45.0	100.0	Moderately Agree	45.0
	Total	20	100.0	100.0			

Figure 38.1

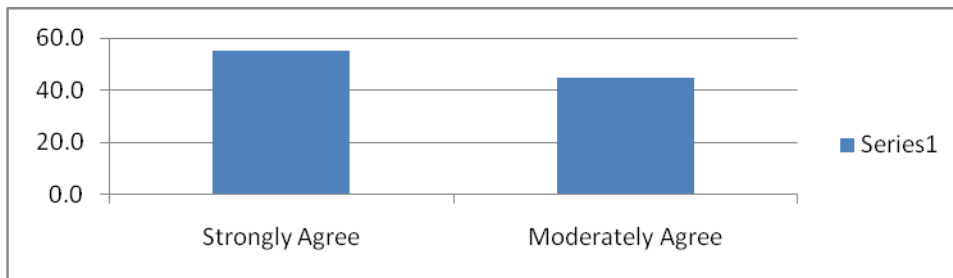


Table 19 shows that major 55% recommended that there are further scopes of involvement with the procurement process for enhanced effectiveness of internal supply management and rest of them agreed moderately.

Q-20 The last question was about their involvement in any particular area. In response to that nobody put any comment on that.

4.2 Key Informant Interviews

The above data has been collected from delivered set questionnaire through e-mail response, telephonic interviews and some are face to face interviews.

Questionnaire survey was used to collect primary data from the Procurement Personnel of Procuring Entities within different projects under development Sector. Purposive sampling method was used to select different level participants in user and procurement department who were engaged in procurement process. The participants were taken from different projects and different position like as executive to project manager.

Total 20 questions were set in each questionnaire for collecting data from Procuring Entities and users.

Chapter 5

Presentation and discussion of findings:

5.1 Introduction

This chapter presents the findings from the study as feedback from the respondents. As describe in the previous chapter tables will be used in chapter to present the outcomes form the study.

5.2 General information

In Bangladesh the term development sector is very well known and development project activities are wide spread. Literally development sector is Non-Governmental aid providing organization. According to social science dictionary, “Non Government Organization is a non-profit agency that serves some public interest. Non Government Organization is established to fulfill some social purposes other than monetary rewards to financial backers. In other words it is stated “Development sector are usually defined as an association of persons organized on voluntary basis through the initiative of one or more dedicated persons committed to the planning and implementation of development projects at the grass root level. Development sector although work outside the government structure but they are within the legal framework of the country”.

The book “Social Welfare Legislation in Bangladesh” said, “A broader definition of development sector refers to associations voluntarily formed by individuals for the purpose of rendering welfare and development services outside Government structures; drawing funds from national or international sources; and functioning within the legal frame work of the country.” From the above discussion it is clearly evident that development sector are those organizations, which are one way or the other involved in development or welfare oriented activities.

5.3 Missions and Goals of Development sector

Non Governmental Organizations (Development sector) are launched with various purposes. Based on the region or local demand and problems, divergence in each development sector targets and objectives can be observed. But everywhere the main purpose of development sector is the much-desired development of poverty stricken deprived people. The missions and goals with which the development sector are established and conducting their operations in Bangladesh are:

- Assisting the poor and suffering people as well as exercising self-control through utilization of own resources.
- Identifying native assets, local leadership and ensuring effective utilization of these for welfare and development.
- Coordinating the poor and deprived ones through formation of co-operatives and thus facilitate the socio-economic progress.
- Health and Nutrition development.
- Acting as the associate of the government and not as competitor.
- Generating alternatives to overcome special social problems and hurdles besides taking necessary steps to aware the general population.
- Creating positive attitude of the society, annihilation of superstition and belief against development and bringing in the deprived ones in the main stream of development.
- Giving priority to women in loan scheme by involving them directly in production process and thus creating scope of additional income in the family, which gradually leads to self-sufficiency.
- Continuing the assistance towards poor so that they can create own investment by saving at a growing rate from upward income.
- Creating awareness and developing leadership for the landless and relatively less facilitated ones.
- Helping out people in coping with the changing societal environment.

Source: Assignment on activities of NGO in Bangladesh (Web:www.assignmentpoint.com)

5.4 Responses from internal customer (user departments)

A wide range of questions were asked to user departments on issue of quality, quantity time, usability, relationships and planning the procurement process and feed back from respondents on these issues are summarized in the table .There were twenty two returned questionnaires returned from the user departments and the serious issues raised were concerning delayed requirements and experiencing shortages of supplies with a period. To make it easy for understanding, interpretation and comparison, the data in the table below has been analyzed in percentages.

5.5 Raw data from respondents

Respondents had other views to express on the procurement process and these are presented as follows:

- *They purchase items of substandard, sometimes outdated.*
- *Always insufficient to the overall needs of the organization.*
- *Procurement appears not ready to respond to our needs most of the time.*
- *There are items that are routinely used by academic departments but the stores office has insufficient quantities. So demand is not readily met*
- *It is bureaucratic with so many forms and processes*
- *Lead time is (time between requesting for items and actually receiving them) too long especially in cases where these items are used on daily basis.*
- *The process is too long and does not effectively meet the demand of the users.*
- *Process of purchasing is sometimes too long and rigid.*
- *Requirements are never enough*
- *Stock outs are very frequent.*
- *The procurement department staff does not listen to the urgent demands of user departments. In fact they just yell at people at people than listening. Some departments/faculties are looked down upon when distributing equipment's.*
- *They should try to always respond to users departments' needs/ requests in time.*
- *There is a problem between the quality specified and what is finally delivered especially in stationary. What is approved by the contracts committee sometimes is not what is supplied?*
- *Most of the items are always out of stock.*
- *There is need to involve all stakeholders in the procurement process.*
- *The process of procurement and purchasing is internally viewed as very slow. The procedures to go through are very many.*

From the above responses it is indicated that the procurement process is too long and slow. This concurs with the process of PPDA Act.2003 shown in table one. It is shown in the same table. 1 that Van weele, 2005 combines the first three steps of PPDA procurement process which reduces on bureaucracy. The PPDA process requires an efficient communication system which lacks in developing countries in Uganda. Most of the procurement processes in the Ugandan setting are done by the low cadre staff who can not take strategic decisions.

Chapter 6

Conclusion and Recommendations

6.1 Introduction

As seen from the previous chapter which presented and discussed the findings, this chapter will look at conclusions and recommend possible solutions

6.2 Responses from procurement department

According to the information obtained, the development sector spends huge amount of foreign donations. The department of procurement is represented at senior management, donors and government level and report directly to the higher management with a procurement manual. The purchasing department has a mission statement that emphasizes total quality management and or customer satisfaction. The department is managed by four employees, two buyers and two administrators. Minimum two of the personnel in the department are graduates/masters and few of the employees have a CIPS qualification. The procurement department recognizes the concept of an internal customer and participates in design and /or specification design of goods /services. The department operates a centralized purchasing system Where as, procurement disposal unit is in charge of the procurement process up to award of contract, management of the contract is handled by other departments like Accounts and internal audit which causes problems of lack of follow up. Therefore PDU can not with authority know how suppliers payment are made and can not evaluate them well for future bid awards decisions

6.3 Conclusion on the procurement process

The procurement process as viewed by users is too long and slow. This is evidenced by a thirteen step procurement process PPDA Act, 2003 compared to that of Van Weele, 2005 and Pearson, 1998 in table 1. The process has so many steps that explain the delays in providing required materials in user departments in time.

6.4 The performance of the procurement process

The performance of the procurement process in public university in Uganda does not satisfy their internal customer's needs as indicated in table 3 above. According to Blomberg, (2006), in order o be

able to measure and control the procurement process in order to improve it, it has to be mapped properly. It is therefore concluded that the performance of the procurement process in public university in Uganda does not satisfy their internal customer's needs. There is need of the improvement in the procurement process in these universities and other public institutions since they follow the same process.

6.5 Recommendations

The procurement process should have reduced steps by combining activities that can be done simultaneously in one stage. This will reduce the bureaucratic tendency in the processes with its related problem of inefficiency. A fully fledged department of procurement with trained personnel should be put in place and also this department should regular communication with user department other than having delegated authority. The procurement department in the development sector institution should be more involvement with user department for verifying and controlling the procurement process, storage and distribution in order to avoid conflicts of roles and ensure that the planning stage in the procurement process is managed effectively.

References

Pro-active purchasing in Supply Chain- The key two world class procurement by David Burt, Sheila petcevae and Richard Pinkerton.

Common Sense purchasing by Tom Dpaoli

Michael H. Hugos, Essential of Supply Chain Management

Aberdeen group, (2005). The supplier performance measurement benchmark Report

Dobler, B., Burt, D., (1996). Purchasing and supply management, New York, McGraw-Hill

Dooley, K., (1995). Purchasing and supply; an opportunity for ,OR, insight. vol. 8, No.2 pp. 21-5

Kim, K. and Umanath, N.S., (2005). Information transfer in B2B procurement: an imperial analysis and measurement, information and management systems. vol.42, pp.813-28

Arun Kumar, and Linet Ozdamar, (2005). International Journal of Health Care Quality Assurance Volume 18 Number 2 2005 pp. 152-166

Billy Ng, Marist and John N. Pearson, (1997). International journal of operations Management vol. 17 No. 6 pp.574-591

Collis, D.J. and Montgomery, C.A., (1995), Competing on resource: strategy in the 1990s; Harvard Business Review, vol. 73, pp.118-28

Daneil Knudsen, (1999). Procurement performance measurement system. Focusing on the Swedish public sector. PhD Thesis pp.1

Davenport, T., (1994). Process innovation: reengineering work through information technology, Harvard Business School press, Boston, MA.

Dobler, B., Burt, D., and Lee, L., (1990). Purchasing and materials management, McGraw-Hill, New York, NY, PP. 100-15

Knudsen, D., (1999). Procurement performance measurement systems, licentiate dissertation, department of design sciences Lund University, Lund

Kopezak,L.R. and Johnson. M.E., (2003). The supply-chain management effect IT Sloan management review, vol. 44. No. 3 pp 27-34

Kotter, J.P., (1978). Organizational Dynamics, Addison-Wesley, Reading MA

Kraljic, P., (1983). Purchasing must become supply management. Harvard Business review, sep-oct.1983, pp 109-117

Lambert D.M and Cooper M.C., (2000). Issues in supply chain management Industrial marketing management vol.29, pp. 65-83

Piramuth, S., (2005). Knowledge-based framework for automated dynamic supply chain configuration. The European Journal of operations research, vol.165 No.1, pp.219-30

Purchasing manual, (2006). The common wealth of Virginia purchasing manual for institutions of Higher Education and their vendors

Skjott-Larsen, T., Kotzab, H. and Grieger, M., (2003). Electronic Marketplaces and supply chain relationships, Industrial marketing management, vol.32, pp199-210

Uganda Country Procurement Assessment Report (CPAR) (2004) Volume I

Van de Weele, A. Rozemeijer, (1996). Revolution in purchasing, Eindhoven University of Technology, the Netherlands

Van Weele, A., (2005). Purchasing and supply chain management: analysis, planning and practice. London: Thomson

Van Weele, A.J., (2000). Purchasing and supply chain management, Thomson Learning, Boston, MA

Van Weele. A.J., (1994) .Purchasing management, Chapman and Hall, pp202

Ian Pearson (1998). A guide to SMEs, Central Procurement Directorate

Public Procurement Rules (PPR), Bangladesh

UNDP Programme and Operations Policies and Procedures POPP-2013

Brac International Procurement Manual

Save the children Logistics manual

CIPS journals

www.wikipedia.org

www.ogc.gov.uk

Annexure-1: Survey Questionnaire

Internal Customers' Engagement for Effective Procurement Process: A Study on the Development Sector in Bangladesh

PART I: GENERAL INFORMATION	
Information will be used for research purpose only. Please Tick [<input checked="" type="checkbox"/>] the most appropriate alternative/s	
(a) Which Organization do you work for?	(b) What Position do you hold in the organization?
	(d) What is your highest level of education? () Certificate/Diploma () Bachelor degree/Advanced Diploma () Masters degree () Other level (specify).....
(e) For how long have you been employed in that position?	(f) Name of Project (Foreign aided),
(g) Project duration.	(h) Project is financed by (Foreign aided)-
PART II: Engagement and effectiveness of procurement process to address internal supply needs	
For each statement below <input checked="" type="checkbox"/> that best describes your view on your firm	

Sl.	Perception Statement	Strongly agree	Moderately agree	Do not agree
1.	I am involved with preparation of supply needs			
2.	I am allowed to place my needs to purchase department once in a year or half yearly			
3.	I am allowed to place my needs to purchase department any time in a year			
4.	I am involved with preparation/review of the specification and quantity of the supply			
5.	I am usually consulted by the purchasing department if any change is needed in the requisition and specification			
6.	During procurement process I am usually consulted by the purchasing department about price setting/review of the supply			
7.	During procurement process I am usually consulted by the purchasing department about vendor selection for the supply			
8.	I am usually consulted about determining the supply schedule by the vendor			
9.	I am usually consulted during quality check of the supply			
10.	Purchase department seeks my feedback/experiences about the supply			
11.	Purchase department meets my supply needs on time			
12.	Purchase department meets my supply needs as per specification/requirement			
13.	Purchase department meets my supply needs with appropriate quality control			
14.	Purchase department can effectively deal with an unpredicted			

	supply need urgently			
15.	I can conveniently contact the purchase department about an urgent supply need			
16.	I often complain about internal supply management			
17.	My organization maintains an effective procurement and internal supply management			
18.	In respect of my supply needs I am quite satisfied with my present involvement level with the procurement process			
19.	There are further scopes of involvement with the procurement process for enhanced effectiveness of internal supply management			
20.	If yes, please mention the areas of your involvement			

Thank you for your assistance.

***Declaration:** This Questionnaire has been prepared for the purpose of dissertation project as partial requirement of Master in Procurement and Supply Management program run by the **BRAC Institute of Governance and Development (BIGD)** of BRAC University, and will be used only for academic purpose*