

Challenges of Adopting Strategic Procurement Policies: A Case Study of Infrastructure Development Company Limited

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

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This paper aims to identify the current scenario of public procurement management, the challenges of traditional procurement, and the possible barriers of implementing strategic procurement in Bangladesh. Infrastructure Development Company Limited (IDCOL), a state-owned organization, has been chosen as scope of the research since it follows procurement guidelines of international development partners under their financed projects. The preparedness of IDCOL and the possible solutions to manage this new procurement approach have been analyzed in the paper. As relevant, foreign direct investment management, public investment, expenditure management, sustainability of economic growth, and the relationship among all these components have been discussed. In order to complete the analysis, some procurement experts have been interviewed, and some IDCOL employees and some bidders have been surveyed. They were asked to provide their opinions on current status of public procurement, which challenges they find in public procurement, which changes they expect in public sector procurement, and what they think about the changes in new procurement framework and strategic procurement approach. After finding their opinions, data analysis has been completed using analytical tools. Some people think that new procurement framework may not be much effective since a well-established procurement policy already exists in Bangladesh. However, some others are optimistic about the new change. They think this new framework may add value, and therefore, this new approach should be accepted, analyzed more, and supported by its stakeholders. This has been found that IDCOL has already an existing capacity of procurement management, but in order to ensure efficiency in procurement under new framework, focusing on enhancing capacity and improving cross-functional coordination should be considered with more importance. According to experts, this is essential now to put more emphasis on financial allocation and strategic coordinated effort for procurement capacity development in order to extract the genuine essence of strategic procurement in public procurement of Bangladesh.

Abbreviation

ADB	= Asian Development Bank
ADP	= Annual Development Plan
BAFO	= Best and Final Offer
BOT	= Build-Operate-Transfer
CIPS	= Chartered Institute of Procurement and Supply
CPTU	= Central Procurement Technical Unit
DFID	= Department for International Development
DPP	= Development Project Proposal
EPC	= Engineering, Procurement and Construction
FDI	= Foreign Direct Investment
GCC	= General Conditions of Contract
GDP	= Gross Domestic Product
GOB	= Government of Bangladesh
IDCOL	= Infrastructure Development Company Limited
IMED	= Implementation, Monitoring and Evaluation Division
IPF	= Investment Project Financing
KFW	= KFW Development Bank
KPI	= Key Performance Indicator
NGO	= Non-government Organization
NOA	= Notification of Award
NOIA	= Notification of Intention to Award
NPF	= New Procurement Framework
PPA, 2006	= Public Procurement Act, 2006
PPR, 2003	= Public Procurement Regulations, 2003
PPR, 2008	= Public Procurement Rules, 2008
PPSD	= Project Procurement Strategy for Development
PRIB	= Procurement Regulations for IPF Borrowers
SME	= Small and Medium Enterprises
STDs	= Standard Tender Documents
STEP	= Systematic Tracking of Exchanges in Procurement
VFM	= Value for Money
WLC	= Whole Life Costing

CHAPTER 1: INTRODUCTION

1.1 General Introduction

Nowadays, public procurement is considered not to be a standalone idea or project component. The field of procurement has gone through an evolution and this field is now being considered to be strongly connected with project objective, organizational goals and management standards rather than mere administrative regulations. Now, public procurement is an important factor which is strongly linked with public investment management and sustainable economic development.

Strategic procurement refers to the procurement with long-term plan in order to ensure the supply of goods or services at right time so that the core business objectives of an organization are achieved. Strategic procurement has already been adopted in many countries in order to make investment more result-oriented and to ensure sustainable economic development. In future days, procurement is expected to deal more with different strategic perspectives like ‘risks and benefit issues’ (risk exposure, risk mitigation investments, risk transfer pricing, preparing business cases), ‘organizational objectives’ (growth target, profitability, budgets, product mixes, outreach and diversity), ‘government policy objectives’ (social, environmental and economic sustainability issues), ‘market characteristics’ (identifying emerging market sourcing worldwide and challenges), ‘stakeholder relationship management’ (integration, collaboration, long-term strategic), ‘innovation’ (new product development, setting updated efficiency benchmarks), ‘transparency’ (increased visibility in implementing network), etc. Procurement management of a project must support the agenda of the whole project, and the applicable policies and systems should be in consideration throughout the planning-documentation-monitoring process.

The prime objective of this study is to make an analysis of the challenges of adopting strategic procurement policies from the perspective of Infrastructure Development Company Limited (IDCOL). Since IDCOL has been in operation partnering with the international development partners like the World Bank, KFW Development Bank, JICA, DFID, etc., it needs to maintain the procurement guidelines of the development partners. The World Bank, one of the major development partners of IDCOL, has issued a new framework of procurement for the Bank-financed projects. The Bank has also initiated the process of implementing its new procurement framework where strategic approach to procurement has got major importance.

As a borrower under different projects of The World Bank, IDCOL will have to procure maintaining this new framework of the Bank in future. This is being perceived that the other major international development partners (KFW, DFID, ADB, etc.) can also consider bringing strategic components in their procurement guidelines. KFW is already following strategic procurement approach (optimising supplier base, controlling procurement performance via electronic tools, etc.). DFID has focused on digital spending and control on its partners and suppliers. In this paper, IDCOL's existing capacity, preparedness, probable challenges and necessary steps to deal with the future procurement approach have been analyzed.

1.2 Objectives of the Research

1.2.1 Broad Objective

The broad objective of the research was to explore the challenges of strategic procurement approach, and as relevant, the current status of procurement management in IDCOL and probable impacts of strategic procurement approach have been studied.

1.2.2 Specific Objectives

- a) To gather knowledge on the challenges of existing procurement rules and regulations;
- b) To identify the current status of implementation of procurement management;
- c) To understand the new strategic procurement approach and find out its challenges;
- d) To identify the possible impact of this strategic procurement approach;
- e) To find out solutions of the possible challenges from strategic procurement approach.

1.3 Research Questions

In response to the objectives mentioned above, the following research questions have been proposed:

- i. What is the current status of implementation of procurement management in IDCOL?
- ii. What are the challenges in existing procurement rules and practices?
- iii. What are the challenges of the new procurement approach of The World Bank?
- iv. What can be the impacts of this approach on the procurement management of IDCOL?
- v. How can IDCOL be prepared to deal effectively with future procurement approach?

1.4 Scope of the Study

The focus of this study is on the procurement management of a state-owned company of Bangladesh named Infrastructure Development Company Limited (IDCOL). In order to gather knowledge in connection with this study, various literatures have been reviewed.

Information has been gathered through Key Informant Interviews (KII) and surveys among IDCOL officials and bidders who regularly participate in different biddings of IDCOL.

Since procurement is a confidential issue, the employees of the office were not willing to disclose their identities. Most of the officials were too occupied with their regular office work; therefore, finding suitable employees was a challenging task. Also, all the bidders were not much willing to disclose their identities and were not feeling safe to answer to the questions of the survey. However, finally the survey was accomplished through the completion of surveying all the targeted samples. Since the scope of the study is only IDCOL, this paper cannot present a comprehensive picture of the buyers and suppliers of whole country.

1.5 Methodology of Research

In order to achieve the above-mentioned research objectives, initial approach was reviewing the relevant literature. The secondary sources of information are mostly books, journals, articles, websites, and other relevant reports. The literature review section of the research paper is based on these secondary sources of information. A few books are used to provide proper guidelines to carry out the research. A few newspapers and magazines have also been used for gathering some minor information. A proper list of the secondary sources of information has been provided in the reference section of the dissertation. 02 (two) expert interviews have been conducted in order to achieve in-depth understanding and sufficient insight of public procurement in Bangladesh. Surveys among employees of IDCOL (who represent procurers' side) and suppliers/ contractors/ consultants (who represent bidders' side) have been conducted.

Surveys based on questionnaires have been carried out on a sample of the employees and a sample of people from the suppliers and service providers. Mainly, primary data has been collected from-

- **Key Informants Interview (KII)** who are knowledgeable or expert about public procurement in Bangladesh;
- **In-depth interview** of different public procurement experts;
- **A Field Survey** to assess opinions of IDCOL officials as well as bidders.

Both open-ended and close-ended questions were in the interview schedule. The questions for the expert interviews were open ended and the questions for survey have a mixture of both

open-ended and close-ended questions. Information regarding procurement budget, awareness of public procurement acts and rules, procurement capacity, assumed challenges for public procurement and new procurement approach, ways of ensuring good procurement practice, key challenges and proposals to solutions, etc. were sought in the interviews.

The major data collection tools which have been applied to conduct the study are as follows:

- ✓ **Semi-Structured Interview Schedule (SSIS):** A semi-structured interview schedule has been used to collect data.
- ✓ **Question Guideline for expert interview:** A comprehensive question guideline was developed. The interviewing of the experts was completed through the guidelines.

Since this is an exploratory research, the convenience and judgmental sampling methods of non-probability sampling has been used. Beside in-depth expert interviews, two surveys among 10 (ten) IDCOL officials and 20 (twenty) people from suppliers, service providers, and consultants have been conducted. The methodology of the research is as follows:

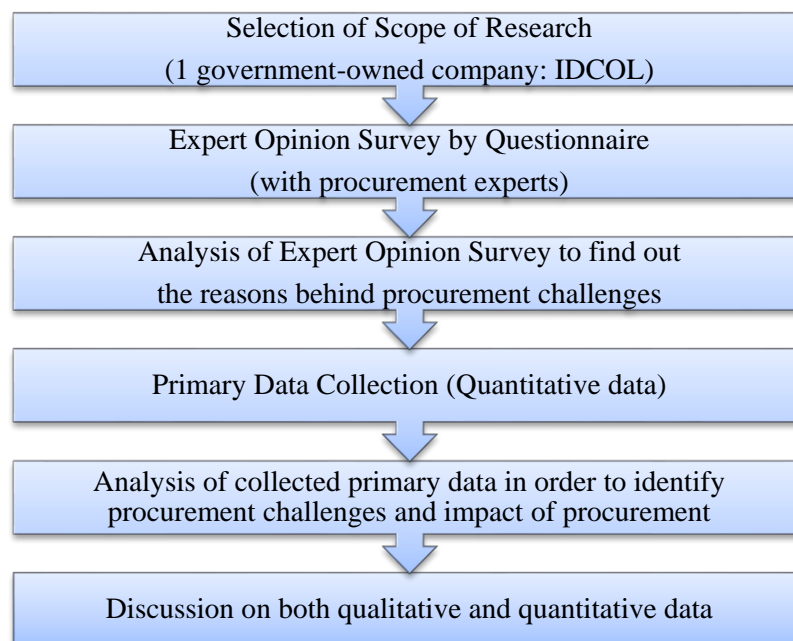


Figure 1: Methodology of the Research

The main focus of the interviews was to learn the current status of procurement of IDCOL and officials' readiness to deal with public procurement challenges. After finding all the relevant data, a detail analysis has been completed using Excel. The data and the detailed analyses based on the survey findings have been presented through analytical and presentation tools such as, bar charts, pie charts, data tables, figures, etc. All research outcomes have been incorporated in this paper.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter introduces the theoretical background of strategic procurement, its vulnerabilities and challenges, traditional public procurement, necessity of strategic procurement and its economic importance. Different books, journals, newspaper articles, website documents, etc. were visited in order to know the latest condition of public procurement and its relation with economic growth of a country. Beside Public Procurement Act (2006) and Public Procurement Rules (2008), World Bank procurement guidelines, the New Procurement Framework and Project Procurement Strategy for Development issued by The World Bank, the procurement guidelines of KFW, JICA, and Asian Development Bank have been consulted to learn the methods and regulations in connection with procurement practice.

2.2 Concept of Strategic Procurement

Procurement has clearly demonstrated its rise to strategic importance (Tassabehji and Moorhouse, 2008). However, it is extraordinary to discover that many organizations still view it as an administrative, passive, and reactive function (Gonzalez-Benito, 2007). Some think that procurement has a much more strategic role within public-sector organizations, since there are increasingly complex product choices, increased use of technology, increased consideration of environmental issues, and a switch of focus from cost to Value for Money (McCue and Gianakis, 2001; Gelderman and van Weele, 2005; Paulraj et al., 2006).

It has also been said that the drive in the public sector to operate in a commercial sense undermines the forms of regulation within which it operates (Prowse & Prowse, 2007). Challenges for strategic procurement are: poor perceptions of its potential value, functional recognition, resource availability, and staff skills and capabilities (White et al, 2016).

Procurement covers various things in an organization. According to CIPS Australasia (2013), “Procurement delivers a range of benefits. It not only seeks to reduce costs and to ensure supply, it also supports strategic organizational objectives such as market expansion and product innovation.” Strategic procurement actively plays critical role in the viability of an organization. In order to integrate procurement as a strategic function in any business process, it needs to be an inevitable part of the strategic planning process of the business. According to

Muiga & Kwasia (2016), “The degree that procurement is being characterized as strategic is highly dependent on how top management views it as an important resource of the firm.”

KFW (2015) identifies key figures for strategic procurement where KFW’s strategic procurement unit focuses: procurement volume, supplier ratio (top 10 / ABC), integration ratio, savings according to definition, procurement costs ratio, customer satisfaction, European Union contract procedures status, and invoice verification status. As part of its strategic procurement, KFW follows this sustainability approach below:

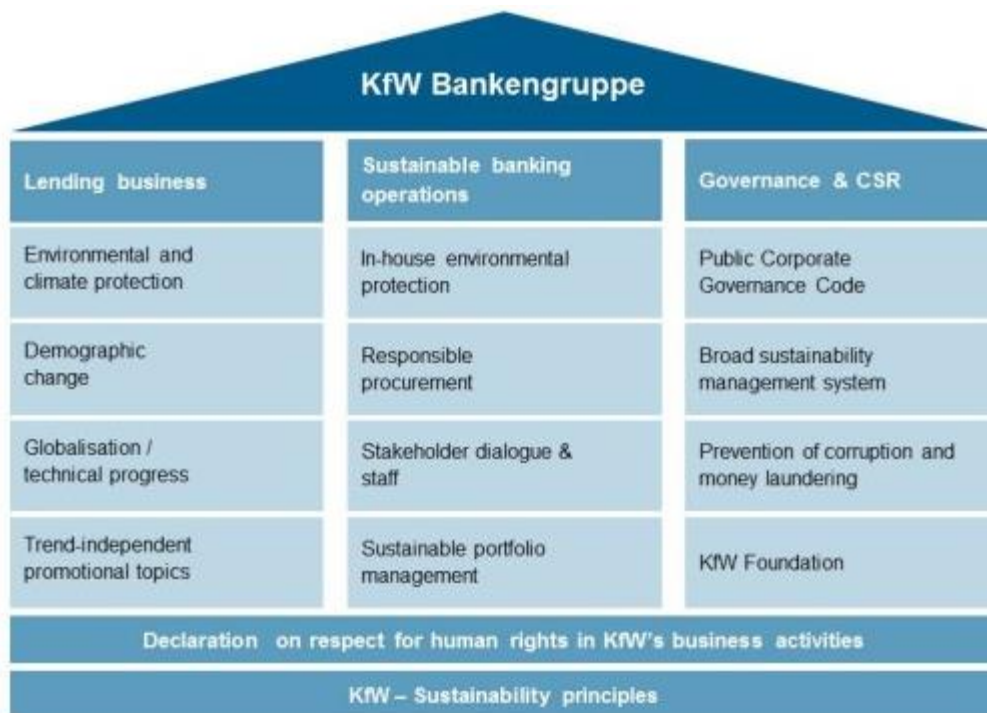


Figure 2: Sustainability Approach of KfW

As per the Ministry of Economic Development, New Zealand (2011), “a strategic approach to procurement methodically works through each stage in the procurement process. The time taken to plan, research and analyze add significant value to identifying solutions that will meet the needs... A strategic approach delivers greater value.” The Strategic Procurement (of KfW) is responsible for the internal clearing of services, which includes cost and service planning as well as the actual settlement of invoices. In addition, the Procurement Department conducts annual surveys of its in-house customers to ascertain whether they are satisfied with the services or whether particular processes need to be modified (KfW, 2015).

According to Muiga & Kwasia (2016), “There are some commonly used strategic procurement tools which aids decision-making and support the efforts of commissioners:

spend analysis, collaborative procurement, procurement strategy and plan, category management, supplier relationship management, supply/value chain analysis, competition, e-procurement, standard terms and conditions of contract, framework agreements, preferred supplier lists, and sustainable procurement.” The Ministry of Economic Development, New Zealand (2011) identifies the necessity of relationship management for saving time in procurement and improving quality of delivered items or services.

2.3 Traditional Public Procurement and Challenges

According to Wittig (2003), “Public procurement remains a big part of the economy of developing countries, accounting for an estimated 9-13% of their gross domestic product.” Weaknesses in public procurement result into a cumulative negative effect on public investment and economic growth. According to Bhuiyan (2014), “Poor public procurement skews investment toward areas where rent-seeking is prevalent, rather than toward the areas that need it most for poverty reduction and development”.

In a traditional approach to procurement, planning gets not much focus and less time is spent after the planning and preparation phase. As Ministry of Economic Development, New Zealand (2011) points, “Effort is generally brought to bear when it comes to approaching the market. As a consequence of insufficient analysis in the planning stages increasing levels of effort are required through contract and relationship management.”

These weaknesses sometimes create major constraints during the implementation phase of project procurement; especially the foreign-funded infrastructure projects are more vulnerable to this challenge. According to Wittig (2003), “Public procurement is a business process within a political system. Failure to properly balance the associated elements can lead to wasted effort and poor development results within the most important single marketplace in developing countries.” According to Kabir (2015), in April 2015, the World Bank has alleged corruption and misprocurement in nine projects in Bangladesh and decided to take back nearly US\$3.0 million funds it has already disbursed against these projects.

Hoque (2010) thinks that the mechanisms during contract management are not ‘ideally rigorous’. According to him, “Although the procuring entities are empowered to debar any contractors found to be in default of, or breaching procurement rules and professional standards, the process is not sufficiently transparent and participative.”

There are some existing problems in developing and transition countries which deceive local suppliers from taking advantage of the government marketplace. Wittig (2003) identifies some problems: a) untrained or poorly trained workforces; b) inadequate accountability for government decisions; c) lack of transparency in the procurement process, as well as little or no information on the results of specific procurement transactions; and, d) "bureaucratic influence" which causes a contract to be awarded on the basis of subjective or unannounced criteria to an apparently specially favored contractor”.

DCCI (2015) finds out some deficiencies and weaknesses of the procurement of public sector in Bangladesh. From the context of procurers, the weaknesses are: ‘too many rules and procedures enforced by government and donor partners, inadequacy in staffing, lack of training, inadequate procurement planning, and inadequate preparation of bidding documents’. DCCI (2015) also finds some other challenges like ‘inadequacy of tender evaluation committee, inadequate accountability, delay in appointment, lack of automation, frequent extension of bid validity, re-bidding without valid justification, chain reaction due to delay in selection and appointment of consultants, dispute resolution, delay in taking decision, inadequate transparency, etc’.

In the Middle East and North Africa (MENA) region, public procurement accounts for 15-20% of GDP. According to Krause (2014), “Corruption, lack of opportunities and outright state capture all precipitated the Arab Spring”. The governance in public procurement with its instruments like public procurement acts, rules, and regulations influence the governance in the bidding community as well. Shakya (2014) feels the necessity of maintaining transparency in public procurement as he thinks that the policy makers “should take public sector transparency into consideration when designing and implementing public procurement reforms aimed at the procurement sector keeping the relationship between stakeholders including bidders and buyers”.

2.4 Strategic Procurement: Vulnerabilities and Challenges

Previously, the procurement department of organizations focused only on timeliness and on reducing costs of procured items and services, but now, the responsibilities of procurement personnel has increased. The procurement department is nowadays expected to focus on legal issues, sustainability concerns, ethical issues, etc. According to Industry Week (2015), “Over the next decade, procurement officers will need to take on more expansive roles within their

organization. They will need to become guardians of the corporate brand, advocates for sustainable business practices and innovators who help develop new products and services”.

According to General Economics Division (2010), “Significant weaknesses exist in the quality and efficiency of public expenditure, resulting in delayed low quality implementation of public investment projects, with some said to be inadequately appraised and of doubtful viability. Ohlmann (2016) finds out some challenges for procurement: supplier related issues (finding suppliers, supplier relationship management and performance evaluation, evaluating potential suppliers and selecting the right one), strategy selection, reducing costs and achieving savings year after year, accurate demand forecasting, managing stakeholders, risk mitigation, finding the right tools, recruiting, retaining and training the talent, time, etc.

Among the challenges of strategic procurement, according to Gareth et al (2016), there are: a) need for training and development of procurement staff in the public and private sector, b) necessity of informing non-procurement staff and management the strategic benefits of which procurement is capable of driving, c) usefulness of strategic procurement models needs more research, d) breaking the status quo, etc. White et al (2016) has identified some challenges of strategic procurement, for example, the perception of procurement’s value, its recognition as an important function, and staff skills and capabilities. Procurement is often neither recognized within a rational strategic approach nor capable of emerging as a valuable function. Consequently, a Cycle of Impotence transpires that serves to maintain the function as a merely necessary activity.

As per General Economics Division (2010), “There is a need for streamlining appraisal, implementation and evaluation processes for public investment projects, properly integrating these with budgetary systems and processes in an accountable, transparent framework of economic management, in scrupulous compliance with public procurement law and guidelines reviewed periodically to plug any inadequacies and loopholes.”

According to Tassebehji and Moorhouse (2008), staff capabilities and ongoing development is a perennial issue for procurement professionals. According to White et al (2016), “Some staffs are unable to pursue the development of their skills and capabilities, due to personal commitments, company constraints, and often a lack of recognition of the importance of continuing their professional development. The lack of ongoing training and development is an obvious concern for all staff in all disciplines.”

According to White et al (2016), “senior management teams appeared to be ‘waiting’ for procurement to emerge as being value-adding, while procurement was ‘waiting’ for the organization to enable the function to develop its strategic direction and thereby deliver the greater benefits it is capable of.” This may be an issue that begins to explain why some organizations still view procurement as an administrative, passive, and reactive function (Gonzalez-Benito, 2007). White et al (2016) identifies that procurement professionals often lack coherent personal development plans, partly due to operational constraints and lack of support, but also due to personal lack of recognition of the importance of continuing professional development. Other organizational staff, especially senior management, also appears to lack an understanding of the potential benefits that strategic procurement practices may bring, along with the scale of change they impart, and the level of commitment and support that they require. This contributes to the difficulty that the procurement function faces in gaining recognition and support at a senior level.

There is a controversy existing about procurement’s value-adding capability which the organizations cannot properly recognize. The lack of recognition and representation of procurement at the highest level in organizations may well also be partly due to its perceived, and its historical, relatively poor track record in delivering bottom-line benefits (Cannon, 2005; Cousins et al., 2006). It is likely that non-procurement staff would have received little or no exposure to cutting-edge procurement methodologies and would therefore be unaware of its potential contribution (Cox, 1996; Tassabehji and Moorhouse, 2008).

According to Porter (1985), “The lack of understanding of, and confidence in, the long-term value of procurement constrains the rational development of a strategic approach to take advantage of the function’s capabilities.” Meanwhile, poor execution of procurement strategies has limited the contributions the function has delivered and thereby constrained its emergence as a strategically valuable function (Mintzberg, 2013). This results in strategic misalignment between the organization and the function (Freeman & Cavinato, 1990).

White et al (2016) suggested that the procurement professionals should be more concerned for their own professional development and that organizations should support their procurement staff in order to gain maximum benefits from a strategically significant function. White et al also focuses on training and education suggesting that the “other disciplines should incorporate exposure to supply-chain management and procurement theory and practice in

order to become more aware of the benefits this discipline can deliver, and more attuned to the support it requires in order to be a value-adding business function.”

2.5 Necessity of Strategic Procurement

In order to get benefit of development projects, the relevant procurement management needs to get more focus. Wittig (2003) suggests, “The more focused the management of public procurement, the better a country can take advantage of its purchasing power to help development efforts.” Public procurement reflects government efficiency and integrity since this is related with public expenditure. According to OECD (2010), “In an era of fiscal austerity, ensuring efficiency and integrity in public procurement is essential to ensure sound public service delivery and maintain citizens’ trust in government.”

According to Johnson (2005), “It has become increasingly important for organizations to develop systems of performance measurement which not only reflect the growing complexity of the business environment but also monitor their strategic response to this complexity.” This is inevitable that performance management is becoming popular in every sector. Johnson (2005) also identifies the points of performance focus, “the need to ensure customer satisfaction”, “the need for flexibility in order to accommodate changes in methods and customer requirements”, and “the need to achieve productivity which necessitates looking for the most cost effective and timely means of achieving customer satisfaction and flexibility.”

The seriousness and control of management is usually linked with the complexity of the nature of any procurement. According to Sanchez (2012), with the complexity of procurement the regulations and management standards move upwards as follows:

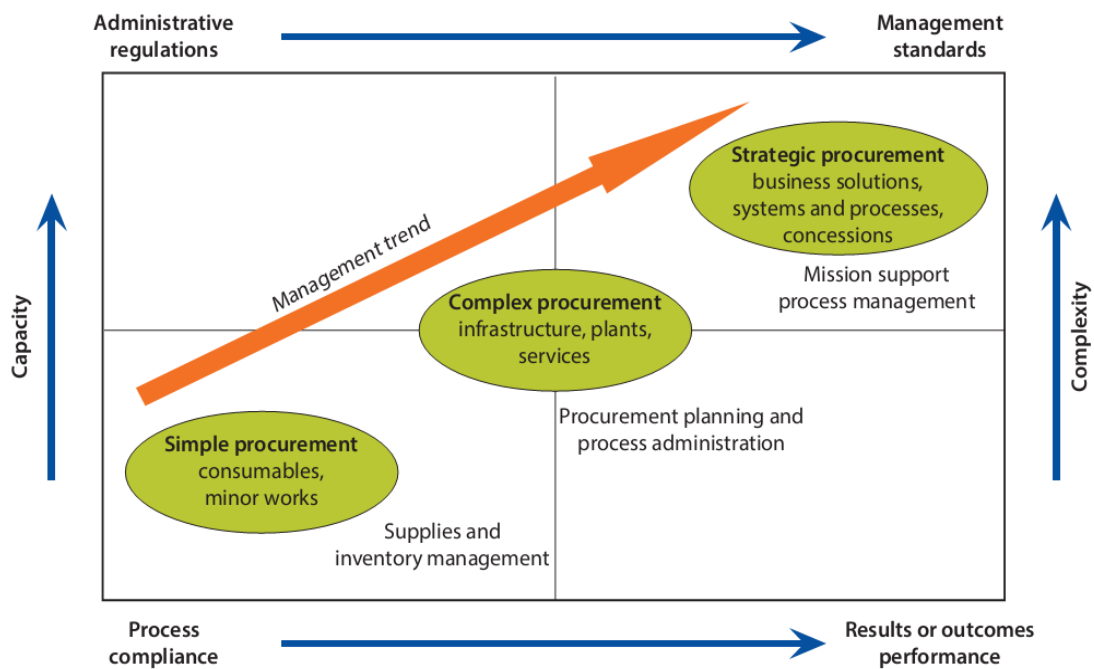


Figure 3: Evolution of Government procurement methods and strategies

The figure above shows that complex procurements get strategic focus where simple procurements usually get administrative focus with process of compliance.

International donor partners like World Bank, KfW, Asian Development Bank, etc. have their own procurement regulations. As per KfW (2015), “The control and management of the electronic KfW purchasing system also fall within the remit of the Strategic Procurement unit. This entails use of the SAP SRM (Supplier Relationship Management) system by means of an integrated P2P (Procure-to-Pay) process.” The procurement management of KfW is electronically controlled. KfW (2015) explains its strategic approach towards procurement, “The strategic unit is currently working on a contract award platform for European Union calls for tender that will enable potential bidders to easily direct their enquiries to KfW. It is also in the process of introducing a new system for the management of procurement contracts that will simplify the internal procedures of KfW.”

2.6 Economic Impacts of Strategic Procurement

According to OECD (2010), “Governments are recognizing the potential of procurement to improve public sector productivity through savings and economies of scale. In addition, governments are tapping into the potential of procurement as a strategic policy lever to advance socio-economic and environmental objectives.”

A significant share of the world's GDP is associated with expenditures by governments. On average, total public expenditures by central and local governments (including consumption and investment expenditures) are estimated to account for about 20% of GDP in OECD countries, and roughly 15% in non-OECD countries. Subtracting compensation to public employees, public procurement is estimated to represent 6% to 10% of GDP depending on countries (Department of Economic and Social Affairs, August 2008).

Higher transparency and discipline in public procurement is expected to increase competition for work, supply and service contracts and to raise the number of bids per tender. Survey-based analysis in Europe Economics (2006) finds costs savings for contracting authorities of 2.5-10% of the intended contract value, varying across sectors and industries; the savings are a positive function of the number of bids per tender. The study also reports that administrative costs of participating in tenders have increased by 0.2% of the average contract value at the same time. According to ITC-ILO website (2016), "Setting up effective national public procurement systems has often been a challenge, not least because of a deficit in competent human resources and the need to keep up to date with the ever-increasing complexity of the legal framework, the globalization of markets, and sophisticated contractual and tendering systems."

Wittig (2003) identifies some noteworthy benefits of public procurement management. According to Wittig, "public procurement, adopting the philosophy of private sector strategic and sustainability approach, can help promote and develop the trade of developing countries and economies in transition...assist in improving international purchasing and supplies management." He thinks that efficient procurement management can lead to "greater competitiveness and export readiness", "benefits for small and medium enterprises, and, export opportunities within regional trading groups or in the global public procurement marketplace".

In India, procurement rules stipulate that certain goods must be purchased from small and micro-enterprises, even if prices are up to 15% higher than those offered by the competition. In South Africa, a preference points system must be followed in awarding public contracts, in order to promote the advancement of people historically disadvantaged by unfair discrimination on the basis of race, gender or disability. In Brazil, a new law in force since January 2007 establishes criteria that are meant to increase participation of smaller businesses in public procurement (Department of Economic and Social Affairs, August 2008).

Evidences show that many countries in both developed and developing regions have used public procurement to pursue social goals. Department of Economic and Social Affairs (August 2008) presents some examples in different countries: “in Switzerland, a requirement of equal pay between men and women is a condition for public contracts to be performed in the country. Since 1996 in Canada, in contracts for which aboriginal populations are the primary recipients, procurement is to be restricted to qualified aboriginal suppliers.”

Regarding the New Procurement Framework, as per The World Bank website (2016), “the World Bank aims to maximize the strategic role of procurement in achieving development effectiveness goals by recognizing that countries are looking to be more efficient in their public spending so that they can invest more in basic public services such as education, health and infrastructure services and enrich development outcomes, modernizing procurement to emphasize fit-for-purpose, choice, quality, and greater value for public spending, while enabling adaptation to country contexts, promoting strengthened national procurement systems that are empowered to support sustainable development objectives, and increasing transparency in public spending by taking advantage of ICT tools in public procurement.” This framework therefore focuses not only the short-term benefits of procurement management rather it has taken the other development considerations associated with national procurement system.

CHAPTER 3: STRATEGIC PROCUREMENT, BIDDER'S PERSPECTIVE, INVESTMENT CLIMATE AND SUSTAINABLE ECONOMIC GROWTH

3.1 Introduction

In this chapter, the information results collected from the survey among total 20 (twenty) bidders and data collected through expert interviews are being presented. This chapter will discuss what bidders feel about strategic procurement and NPF, foreign direct investment (FDI) and sustainability of economic growth, how strategic and coordinated procurement approach can contribute to national development and public investment. In order to discuss the impact of procurement in overall economy, this chapter has discussed why adhering to the procurement process is important from the perspective of investment management, and how procurement is related to overall economy and sustainable economic growth and why procurement strategy needs to get emphasis in economic development. Beside this, this chapter will help understand why accepting procurement management and trying for improving the efficiency of this management is better than the idea of evading it.

3.2 Public Procurement from Bidders' Perspective

The types of bidders participated in the survey were according to the following portions:

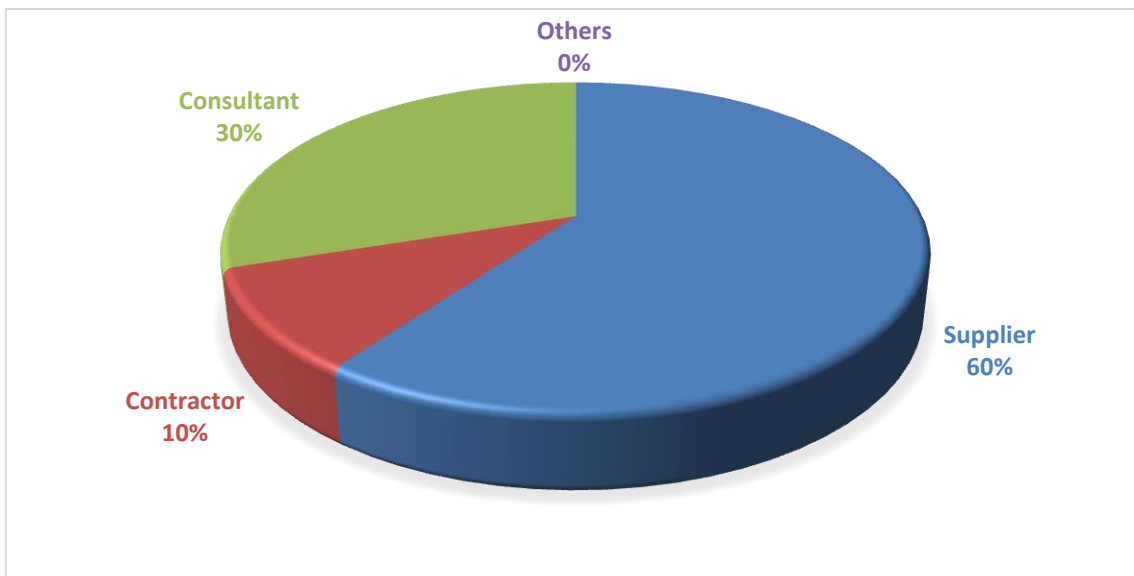


Figure 4: Types of Bidders participated in the Survey

In response to a question among the bidders, this was found that 18% of the bidders who regularly participate in public procurement know about new procurement framework of the World Bank. Most of the bidders think that public procurement is a complex process, but a significant number of people think that public procurement follows logical process. Most bidder respondents think that public procurement takes much time and this process has much chance of violence. 70% bidders think that public procurement has the chance of corruption and 80% think that there has chance of fraudulence in public sector procurement.

Most bidder respondents strongly agree that public procurement training is necessary for the bidders and they are also willing to be trained in New Procurement Framework of the World Bank. Almost all the bidders agree with the new rule of NPF of issuing NOIA to participating bidders before issuing NOA to the awarded one. In response to a question in the survey, most of the bidder respondents chose delayed payment, violence during tender submission and fear of political influence as major problems of public procurement, and some other also pointed to problems like violence during bid submission, corruption during evaluation, etc.

Most of the bidder respondents are much positive about electronic Government Procurement (e-GP), and all of the bidders opine that there should have the opportunity of negotiation between buyer and supplier in public procurement. Most of them think that the buyer-supplier relationship should be long-term strategic and collaborative. In order to make public procurement more popular and acceptable to people of all class, most of them opine in favor of unbiased approach in evaluation, training of the bidders, and ensuring integrity and transparency in procurement.

According to expert, strategic procurement should be supported. It will be top brass procurement and will cover macro-level direction where accountability, transparency, and integrity will be under the supervision from the top. Procurement for Results (P4R) is a new thought nowadays, but it has potential to be effective. We must see that whether ultimate beneficiaries or clients can really use the procured items or services, whether there has sufficient manpower to use the items, whether the procured items are effectively and appropriately used, or left unused or misused, or whether the related manpower needs training to use the items. So, considering all these things, it needs an overall strategic plan which will not be a one-sided biased view; rather it will cover all the functional units of an organization.

3.3 Foreign Direct Investment (FDI) Inflow: Current Condition of Bangladesh

Foreign direct investment or FDI has impacts like improvement in productivity, employment, and this also opens the way for knowledge and technology transfer. To get the advantage of FDI, according to Echandi et al (2015), “the governments need to obtain a “right mix” of FDI management policies. FDI usually has two types of effects: *knowledge effects* (knowledge through observing foreign affiliate, technology transfer, etc.) and *pecuniary externalities* (price and competition effects, market structure, etc.).”

Now, in Bangladesh, there is the increasing flow of FDI. According to Trading Economics (2016), the Foreign Direct Investment (FDI) in Bangladesh has increased by 2,003.53 USD Million in 2016. Foreign Direct Investment in Bangladesh averaged 1,001.57 USD Million from 2002 until 2016, reaching an all time high of 2,003.53 USD Million in 2016 and a record low of 276 USD Million in 2004. As per the Trading Economics (2016), the chart below shows the condition of overall FDI inflow of Bangladesh:

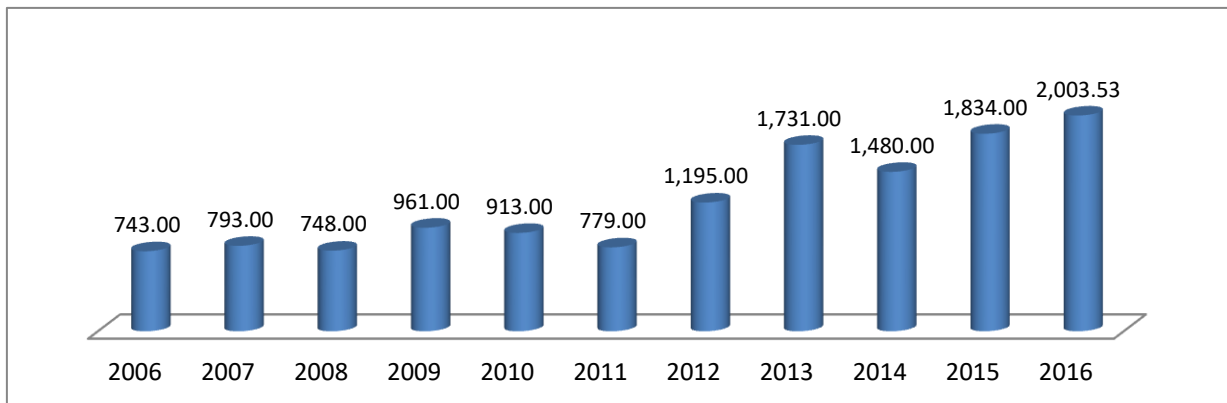


Figure 5: Bangladesh FDI in last 11 years (in USD million)

In October 2016, The World Bank president Jim Yong Kim committed to providing Bangladesh with \$2 billion over the next three years in fresh funding to help the nation tackle and adapt the negative impacts of climate change (The Daily Star, 2016).

Increasing FDI helps a country be creating more jobs, more foreign exchange earnings, technology transfer opportunity, and more developed economy. Foreign assistances like loans and grants have been the key components of Bangladesh’s national budget since the year 1972. Although the country has come out from its heavy dependence on external aid, it still needs a foreign fund in order to execute basic and social infrastructure projects like bridges, power plants, or education stipends etc. As Kallol (2015) reports, this is already a matter of

apprehension that foreign aid target may not be achieved in FY2015-16; however, the next fiscal year's foreign borrowing figure has increased 52.96% compared to the revised BDT 15,000 crore in the current fiscal year.

FDI helps a country by contributing to economic development in microeconomic way which ultimately helps in raising productivity and efficiency of resources. Through this, there creates more competitive business environment, advanced technology, international affiliation, and improved social and environmental conditions. Through providing capital for domestic investment and creating additional economic activities, the investment gap, foreign exchange gap, and tax revenue gap are reduced. According to Rayhan (2009), transmission mechanisms between FDI and poverty reduction are illustrated by the figure below:

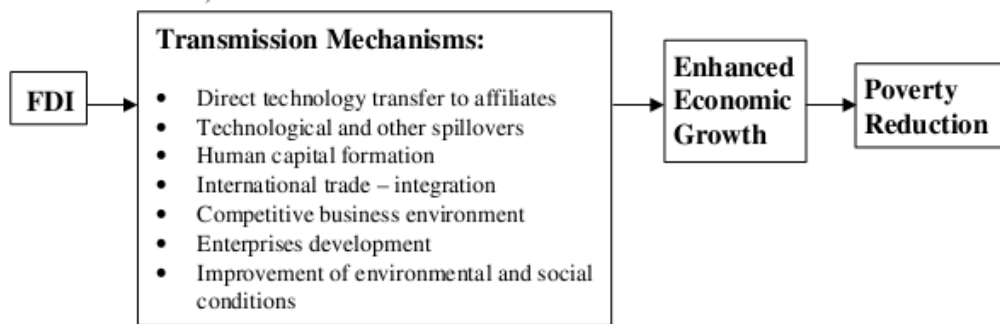


Figure 6: Transmission mechanisms between FDI and poverty reduction

This is a fact that poverty alleviation is a major concern in the Government's development policy. For ensuring more public sector investment, there is public-private partnership through Build-Operate-Own (BOO) and Build-Operate-Transfer (BOT) arrangements in infrastructure sector. To attract more FDI, as different studies suggest, the country needs to improve its infrastructure, education as well as technical know-how. The other specific steps can be:

- a) increasing power generation capacity to the manufacturing organizations;
- b) considering favorable corporate taxes for investors;
- c) establishing agency for investment promotion in order to generate investment and suggest necessary investment policy;
- d) reorganizing bureaucracy, minimizing control and ensuring strong corporate governance;
- e) reducing corruption;
- f) developing industrial parks;
- g) preparing business friendly environment and political stability;
- h) establishing strategic nexus between both public and private sector for the sake of economic reforms, etc.

According to Ministry of Finance (Government of Bangladesh) website (2016), the total development budget of Bangladesh is BDT 1,125.26 billion. As per the information from the website, the allocation of funding sources is below:

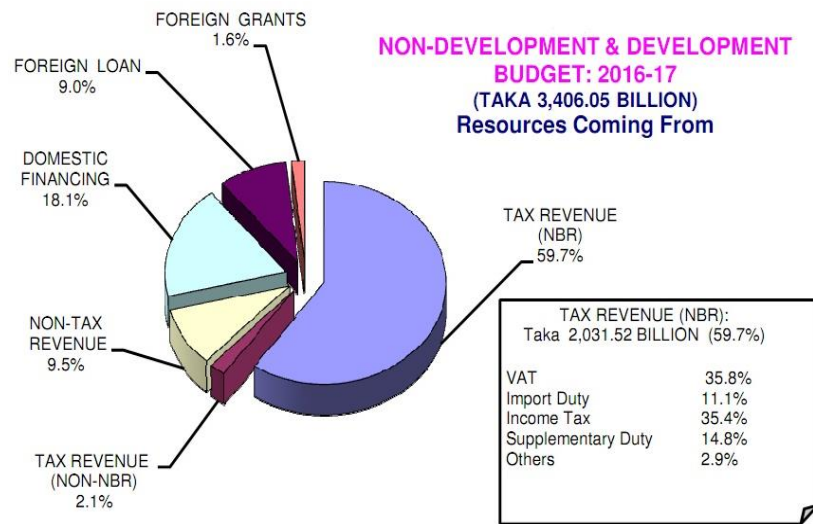


Figure 7: Funding Sources for Development and Non-Development Budget

As per the chart above, foreign loan portion is now more than foreign grants portion. So, the perspective of Bangladesh towards foreign aid management needs to be much more professional. In public procurement, fund utilization, public investment management, and expenditure control are some important features. These all are related to procurement management following applicable rules and regulations. Since donor partners are changing their approach to the strategic perspective, managing expenditure in donor-financed projects will require more knowledge in procurement and strategic thinking potential. By implementing different development projects, the capacity, local governance and finance of a country get improved. Billions of dollars are invested in public infrastructure, goods or services all over the world with the objective of value for money. The good governance indicators are: efficiency, transparency, effectiveness and accountability.

In order to attract and maximize FDI benefits, according to Echandi et al (2015), “governments of different countries nowadays undertake investment promotion efforts through the use of different types of incentives (corporate tax reductions, tax holidays, investment tax credits, customs duty exemptions, grants and other subsidies, etc.)”.

3.4 Public Procurement and Public Investment Management

Procurement management is a major part of public investment management (PIM) and its associated component budgeting. Procurement professionals always play major role in any project development. The figure below (extracted from: Rajaram et al (2014)), shows the relation of the three components of any project:

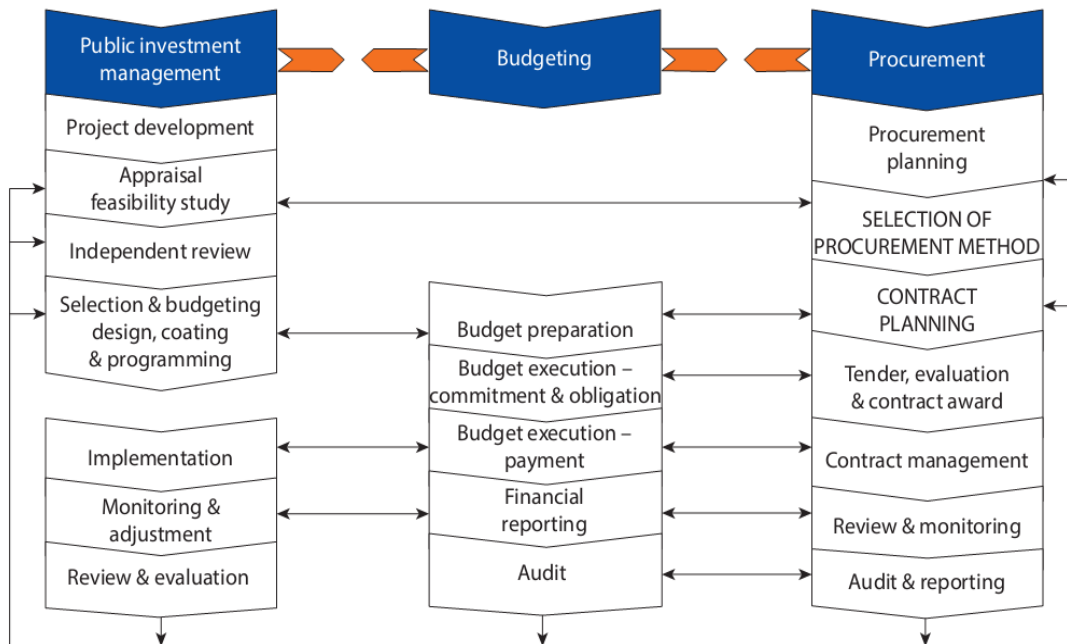


Figure 8: Public Investment Management Flowchart

Poor procurement performance diminishes the value of public investments and impairs the sustainability of the investments. Estache and Iimi (2011) think that increase in the number of bidders has the potential to reduce the procurement cost of infrastructure, electricity sector, roads sector, etc. So, in order to run a project well, proper budgeting along with proper and detail procurement planning, procurement management is necessary.

According to the data collected from Expert Interview, transparent procurement is nowadays considered to be the precondition of better investment climate and the investment climate is considered to be central to growth and poverty reduction. Transparency is needed for creating investment climate because when there is transparency in every decision, plan, activity, etc., the acceptability will increase. The precondition of transparency is accountability. If any problem is found for example, collapse of any part of a long bridge, the relevant or responsible personnel must be brought under judgment. Both accountability and transparency are required need to maintain between bidders and procurers.

Transparent procurement is needed for both public and foreign investment. If fairness cannot be ensured, creating the environment of trust, reliance, etc. is tough. Investment is becoming much relevant with compliance issue. Because of corruption, mis-utilization of fund or other mismanagement in procurement there creates a gap between actual investment (input) and final socioeconomic benefit or profit (output). Transparency, if maintained, attracts all types of investors. When any investor finds that the market has no risks of bribery, undue speed money, the investors feel interested. For example, news of Padma bridge controversy was spread and many foreign investors thought that investing in Bangladesh was risky because the chance of misuse of money is here. This affects FDI rate too. Before entering business in a country, an investor very naturally verifies the country's investment climate from the previous record and ongoing condition. The more transparent the climate is, the more the chances of investment are.

According to the World Development Report (2005), investment climate is the set of location-specific factors shaping the opportunities and incentives for firms to invest productively, create jobs, and expand. As populations get larger, economic growth provides the only sustainable way of improving living standards. A good investment climate drives growth by encouraging investment and higher productivity. Investment underpins growth by bringing more inputs to the production process (World Bank, 2004).

According to The World Bank (2012) report, "Three pillars of effective and successful governance are increasing value for money, improving public service delivery, and creating an enabling environment for private sector-led growth. Public procurement, with links to all three pillars, is thus an essential element of governance reforms. Making up between 15% and 20% of GDP, it contributes to greater competitiveness by stimulating trade and fostering foreign direct investment."

From the discussion above, this can be said that procurement systems can promote good governance. Good public procurement is therefore a prerequisite for sustainable economic growth and effective public investment. Poor procurement governance can hamper public investments and transfer it to political and economic liabilities. Also, it ultimately results into additional costs and wastage of public money. Since strategic idea focuses on long-run, this can be an effective idea to study on it and try to explore the opportunities inside. This can also be said that public procurement is a key economic activity and it represents a major public spending beside wages. It can also be used as a public policy tool to foster particular

economic and social outcomes. In order to ensure sustainable economic growth, any government needs to focus on systematic spending process to ensure compliance and proper utilization of public fund. Government is called the ‘single biggest purchaser’ of goods, works and services in a country. In order to make economic growth sustainable, governments need to consider both microeconomic and macroeconomic impacts of public procurement. If the intention of the Government of Bangladesh is to ensure the promotion of local industry and betterment of common Bangladeshi citizens, public procurement rules and policies can be an effective tool for implementing that.

3.5 Procurement and Sustainable Development

The vision for procurement financed by the World Bank through IPF operations is: Procurement in Investment Project Financing (IPF) supports Borrowers to achieve value for money (VfM) with integrity in delivering sustainable development. In NPF, sustainability has been properly linked with strategic procurement approach. Sustainable procurement is a process which incorporates sustainability considerations throughout the procurement process in order to achieve optimal VfM in delivering development objectives. Three-dimensional thinking (economic, environmental and social) does not mean it takes three times longer, nor is the outcome necessarily more expensive. Sustainable procurement is strategic procurement practice at its optimum (The World Bank on Sustainable Procurement, 2016).

There are three pillars of sustainability: Economic (Economic regeneration, sustainable economic development, emerging markets, development of SMEs, total cost of ownership and lifecycle costing, value for money, and poverty reduction), Environmental (environmental resource management, urban planning, CO₂ reduction, alternative energies like solar/wind, water management, sustainable agriculture, marine resources management, protection of ecosystems, pollution and waste management), and Social (human rights, clean drinking water, food security, fair pay and labor law protections, anti-child labor and forced labor laws, fair trade, health and safety, gender equality, child mortality and maternal health, and healthy lives and well-being for all).

According to The World Bank on Sustainable Development (2016), “Sustainability criteria where appropriate, ought to identify specific certification or verification of an industry, environmental or social standard, code or management system standard. Examples include: Health and Safety Management (OHSAS 18001), Eco-Management and Audit Scheme (EMAS), Environmental management (ISO 14001), Energy management systems (ISO

50001). A Borrower may also decide to require vendors to sign their own sustainability code of conduct or charter and include in the contract as a KPI.”

At procurement planning and preparation phase, World Health Organization (2017) suggests procuring personnel to consider some environmental concerns like energy consumption, toxicity, Ozone depletion, and radiation. For ensuring ‘green procurement’, World Health Organization (2017) suggests ‘4R’ strategy: a) Re-thinking the requirements to reduce environmental impact, b) Reducing material consumption, c) Recycling materials/waste, and d) Reducing energy consumption. IDCOL, in its future procurement, can consider this strategy above.

According to data collected from expert interview, procurement is for diversification of development of a country, for enabling a state more in logistics and public facilities, for example, building a public diabetic hospital, bridges, educational institutions, or flyovers, and improving people’s standard of living. Procurement of fertilizer or items (books, computers, class equipment, furniture, etc.) for educational institutions helps common citizens. In most of the organizations, seventy to eighty percent of annual budget or fund is for procurement. If procurement of the organizations is monitored, the major seventy to eighty percent of the organizations is monitored. Inefficiency in procurement results into wastage of money. Any lack of compliance in this part reflects problems of fund management and that impacts the implementation of the project and economy of a country. Any implementation problem during any project has long-term socioeconomic effect on people of any country.

In public sector, procurement has three major sections: Preparation (planning, preparing specification and tender document, etc.), Processing (from tender invitation to contract signing) and Implementation (contract management and issuing acceptance certificate), and before completing these three parts procurement cannot be said to be totally completed. There have some side effects of public procurement, for example, political interference, lack of skills, irresponsible approach, project management problem, etc. According to Rajaram et al (2014), weak implementation capacity, including procurement and project management (coupled with poor planning), results in chronic underspending of the investment budget. The figure below shows the way procurement creates long-term impact on different components of society and country’s national objectives like Millennium Development Goals (MDGs).

According to OECD-World Bank (2015), the figure below shows the effect of using procurement for national objectives.

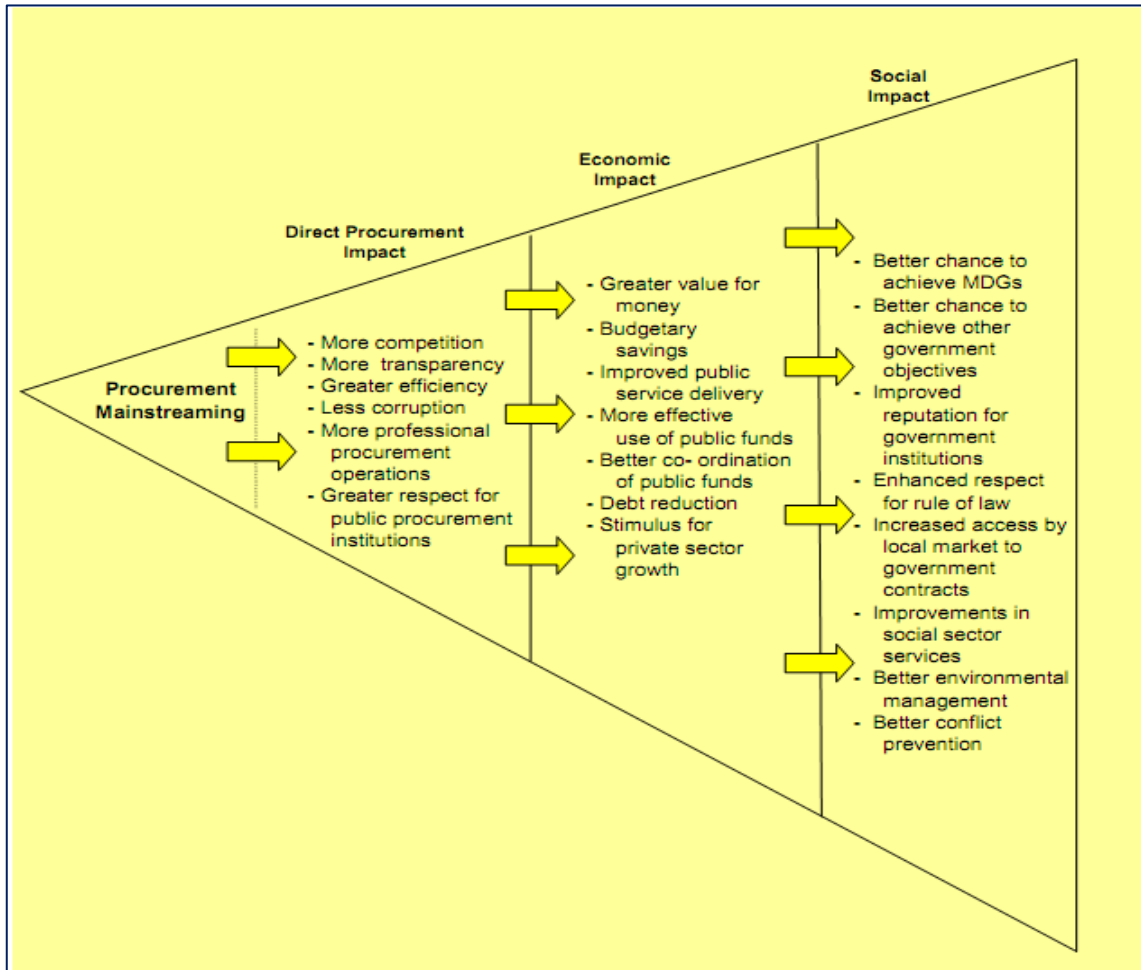


Figure 9: Effects of using procurement for national objectives

From the figure above, this can be identified that good procurement can develop the economy of both rural and urban areas. If the government wants to promote any certain social class, for example, hand-made pottery, etc., that can be done through keeping necessary terms and conditions in specific procurement. As an effect of E-GP, many small shops are opened for helping bidders in online tendering. When fair competition is ensured, all types of entrepreneurs can participate and get the work. Their getting work will create some more employment. By this, employment generation can be ensured.

This is noticeable that in Bangladesh, market penetration of foreign bidders is increasing day by day, but for this, the development partners as well as the procuring entities are responsible. The provision of domestic preference should be in the tenders in order to promote and encourage local entrepreneurs and consulting firms. This is not that foreign suppliers, contractors and consultants can work properly and the local firms cannot, rather in most of the

case, the local joint-venture firms work mainly in the field and the foreign lead partners just do the supervision work. The implementing agencies as well as development partners should promote the local firms beside foreign firms. For example, there is a controlled condition of market penetration in India where local manufacturers get the highest preference. Indian cars, Indian soft drinks, etc. whatever they use are mostly manufactured by Indians.

3.6 Procurement and Economic Growth

Good procurement ensures more investment, best uses of investment, and good procurement environment enhances the positive competition among investors. Less corruption also ensures more saving and that will add as investment. Good procurement ensures best value for money and saving unusual expenditures. Procurement should be need-based. There is no need to procure computers of high configuration for a normal computer operator whose work does not need that high-configuration item. Ethical procurement or sustainable procurement is now demand of time.

According to Mujer & Chowdhury (June 2013), “In an economy, savings and investment play a critical role in the growth process. National savings is related to investment and consequent economic growth. According to economic history, countries those can ensure high domestic investment chiefly financed by domestic savings can achieve quick economic growth and development.”

According to Vogel (2009), “Efficiency gains in public procurement can bring tangible macroeconomic benefits. Cheaper procurement relaxes the budgetary pressure and creates fiscal space. In addition, industry structure may adjust and productivity increase in sectors subject to increasing competition among procurement suppliers. Procurement rules and procedures that promote transparency and competition tend to reduce procurement prices substantially.”

There is long-run effect of cheaper procurement on output, employment and consumption. The output, employment and consumption effects of lower procurement prices depend on how the government uses the fiscal space. A reform of legislation and procedures that reduces profit margins in the procurement market can substantially reduce costs for the public sector. The efficient use of such savings may also have sizable macroeconomic benefits (Vogel, 2009).

According to the Harrod-Domar Model, investment is the prime contributory factor, where the Solow Model puts emphasis on savings. As Arthur Lewis's in his traditional development theory suggests, increasing savings accelerate growth. According to one study of 32 countries, a higher level of national savings leads to higher investment, and it results in higher economic growth. Besides macroeconomic stability, factors like inflation, public investment, exchange rate policy, income and wealth play a vital role in the determination of savings and investment (Mujeri & Chowdhury, June 2013).

From expert interview, if government spending, according to Keynesian theory, increases and all other components of spending remain constant, output will increase. As per this theory, output increases by a multiple of the original change in spending. This effect is like chain effect. Therefore, spending of government also increases economic growth. Consistent underspending of the allocated capital budget because of delays in the procurement process is a problem, because the delays then escalate cost and decrease benefits. But this is also a fact that government disburses money seeing accountability and transparency; moreover, foreign investors are interested to invest where they feel safe and get the proper investment climate.

Experts opine that ensuring quality expenditure is still a challenge in public procurement. They comment that public procurement management has improved much in Bangladesh, but in contract management, the country still needs improvement. In many of the contracts, the tendency of variation or deviation is much common. During evaluation, procurement personnel need to face different problems like political pressures, lobbying, etc. and in the period of contract management one of the major problems is compromising with the quality of delivered items. In this connection, experts think that iBAS (Integrated Budget and Accounting System) of Ministry of Finance, Government of Bangladesh, can be a very effective tool to monitor the progress of development projects.

From another perspective, according to Expert Interview data, procurement is a great opportunity for technology transfer. The aim of procurement should be technology transfer or necessary training. Technology transfer happens mainly through international bidding. When any international firm brings any new technology, Bangladeshis also get benefitted by learning the knowledge. According to Yulek & Taylor (2012), "Technology and knowledge are often intertwined. Knowledge is regarded as the outcome of the research and innovation process, which requires complex and high-cost systems of "learning from each other." Consequently, technology transfer mainly depends on this complex and costly learning

process.” However, there needs to have the enthusiasm to learn new technology as well, otherwise an organization or any system will remain backdated. A turnkey contract helps an entity get the items ready and operable, but if employees of the procurers do not learn the necessary technology from the suppliers/contractors, an entity needs to stay dependent upon the supplier or contractor for long time. For example, CPTU (Bangladesh) is becoming self-dependent day by day so that all systems can be owned and operated by CPTU itself. Dependency can be both internal and external and both types of dependency have negative impacts in long run. So, every organization needs to help its own people learn and develop, and also encourage knowledge sharing process.

CHAPTER 4: A BRIEF ANALYSIS ON NEW PROCUREMENT FRAMEWORK OF THE WORLD BANK

4.1 Introduction

This chapter provides a brief description of the New Procurement Framework (NPF) of The World Bank. The procurement regulations for Investment Project Financing (IPF) borrowers, project procurement strategy document, the new online tracking tool of The World Bank, and necessity of capacity building to deal with all these changes have been discussed. For analysis, data of expert interviews, information from online resources, and survey data have been used.

4.2 New Procurement Framework (NPF) of The World Bank

The World Bank governs procurement in its financed projects in 172 countries worth about USD 56 billion. After an extensive review and a long-time consultation process involving over 5,000 people in 100 countries including partner countries, Civil Society Organizations, and private sector, the Bank has introduced a New Procurement Framework (NPF) which has become effective from July 1, 2016. According to The World Bank Group (2015), the journey of NPF is as follows:

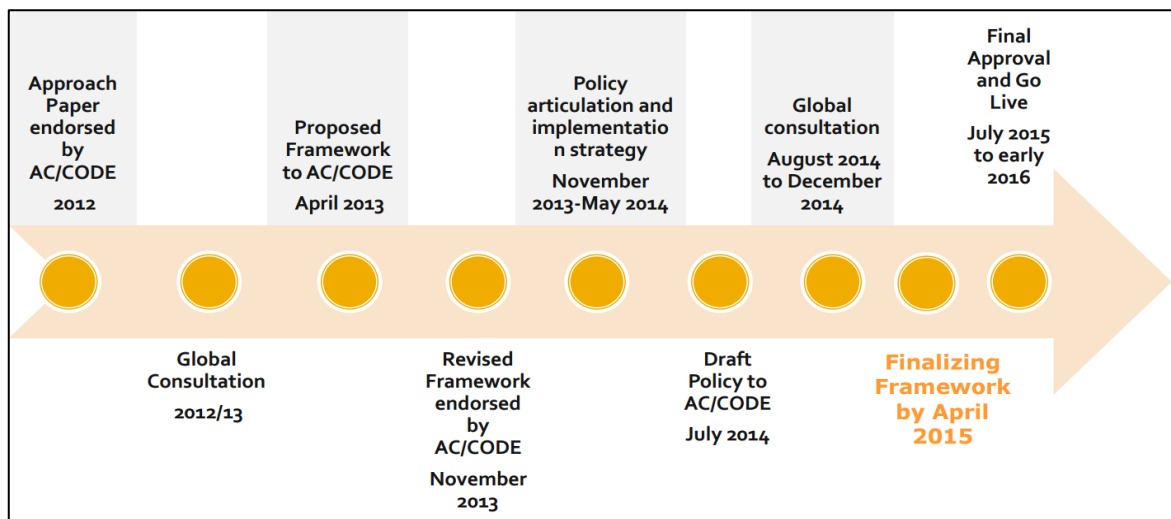


Figure 10: Overall timeline of NPF

From the figure above, we understand the journey towards finalizing today's NPF. We see, the Bank completed a long background study and preparation phase before issuing it among the stakeholders. It also shows that NPF is not a result of quick thinking or brainchild of any particular group; rather it is a reflection of comprehensive study and global consultation.

NPF has aimed at helping countries make the best use of their public expenditure with a special attention to enhance the strategic role of procurement in development effectiveness. As per the World Bank Group website (2016), this framework is “to modernize the procurement policy and maximize the strategic role of procurement in achieving key development effectiveness goals”.

The World Bank's new Procurement Framework maximizes the strategic role of procurement in achieving development effectiveness goals by efficient public expenditure, modern procurement to emphasize flexibility (i.e., fit-for-purpose), quality, and greater value for public spending, while enabling adaptation to country contexts, promoting strengthened national procurement systems that are empowered to support sustainable development objectives, and increasing transparency in public spending by taking advantage of ICT tools in public procurement.

According to World Bank Policy (2016), the vision of new procurement framework is to achieve value for money with integrity in delivering sustainable development, and to achieve this vision, the Bank has instructed the Borrowers to ensure acceptable procurement arrangements to manage the financial resources the Bank provides to Borrowers. Also, the Bank will support Borrower countries in developing sound procurement systems and institutions. The Bank may support country capacity building through measures like funding, technical support, and hands-on expanded implementation support. According to Kwakkenbos (2015), “Procurement (of The World Bank) has a dual role: client capacity building and fiduciary assurance. Bank procurement is both a development instrument and a strategic policy tool that can support a broad range of economic and social development objectives.”

According to The World Bank website (2016), “With the modernization of the procurement system, the Bank looks forward to working together with its partner countries to strengthen efficiency in public spending and to strengthen procurement systems around the world. This will help assure that public resources are being well used, and countries can better deliver critical services such as education, health, and infrastructure.”

According to The World Bank on NPF (2016), the NPF has set core procurement principles: a) *Value for money* (effective, efficient, and economic use of resources), b) *Economy* (factors such as sustainability, quality, and nonprice attributes and/or life cycle cost as appropriate, that support value for money), c) *Integrity* (the use of funds, resources, assets and authority,

according to the intended purposes), d) *Fit for purpose* (applies both to the intended outcomes and the procurement arrangements in determining the most appropriate approach), e) *Efficiency* (requires Procurement Processes to be proportional to the value and risks of the underlying project activities), f) *Transparency* (the Borrower and the Bank enable appropriate review of the procurement activities, supported by appropriate documentation and disclosure), and g) *Fairness* (equal opportunity and treatment for bidders and consultants and equitable distribution of rights and obligations between borrowers and bidders).

NPF has major components like a) expanded vision, b) increased flexibility and choice (NPF has offered a combination of up to 71 methods and market approach options), c) opportunity for borrowers to choose among alternative procurement approaches, d) greater focus on project procurement design (country capacity, project procurement risks, strategy selection, etc.), e) minimizing risks, f) hands-on implementation support of the Bank staffs, g) end to end online tracking system like STEP, h) automatic online archiving system, i) streamlined prior review and no-objection procedures, etc. The key features of the NPF are as follows:

- a) *Project Procurement Strategy for Development (PPSD)* (fit for purpose, proportional procurement, to reflect market dynamics)
- b) *Modern procurement methods* (value for money, market engagement, competitive dialogue, negotiation, Best and Final Offer (BAFO), Alternative Procurement Arrangements)
- c) *More hands on support from the Bank* (low capacity/critical situations, Bank staff can provide more help)
- d) *Contract management* (KPI setting, regular review by Bank, focus on most complex procurements)
- e) *Enhanced complaints management* (Business standards, standstill periods/pauses, reporting/expediting)
- f) *Integrity and transparency* (More tailored integrity management, new IT system to track procurements and report progress/provide more information to bidders)
- g) *Sustainable procurement* (At the Borrower's request, applied during procurement process)
- h) *Alternative procurement arrangements* (Other development partners and Borrower implementing agencies, assessment methodology that needs testing/refining)
- i) *Strategic private sector engagement* (Target key sectors to identify specific actions to improve procurement)

According to The World Bank Website (2016), “The new Procurement Framework reflects the views, knowledge, and expertise of a wide range of stakeholders from across the globe. The Bank can now offer a more modern and nimble procurement system to help promote sustainable development”. In the NPF, the Bank has introduced the PPSD with a view to facilitating more strategic procurement approach by different tools like up-front analysis of markets, industry practices, and competition. In this framework, the use of value-for-money criteria has been encouraged to use for contract award decisions in order to find the most advantageous bid/proposal. NPF has also clarified the circumstances where to use the alternative procurement arrangements in Bank projects.

As per this framework, the selection of procurement methods will be context-specific, proportional, and best fit for purpose. Additional sustainable procurement criteria in Bank funded evaluation of bids/proposals can be used upon the requests of borrowers. It has enabled better access to procurement data and metrics through electronic systems called STEP. The World Bank on NPF (2016) suggests that the NPF is beneficial because it has:

- a) Much more focus on suppliers and contractors;
- b) Opportunities for more dialogue and engagement;
- c) Ability to offer innovative solutions to meet needs;
- d) More efficient procurement approaches;
- e) Hands on implementation support from Bank staff, to fix any problems before they start;
- f) Prompt handling of complaints and issues;
- g) Standstill periods to fix any problems, before award;
- h) Approach towards modern, collaborative procurement practices.
- i) ICT based tracking and monitoring tool called STEP to make procurement processes speedier along with promoting transparency and accountability.

According to The World Bank website (2016), “The new Procurement Framework will allow the World Bank to better respond to the needs of client countries, while preserving robust procurement standards throughout Bank-supported projects. It provides an expanded range of procurement tools to enable a better fit for varying country contexts and client needs... Under this framework, clients can use the procurement arrangements of other multilateral development partners or of national agencies in some circumstances.”

Experts have provided opposite opinions about NPF. Some experts think that public procurement has some existing rules and regulations. Under the existing policy, collecting suppliers' feedback or maintaining close relationship with them is not possible. Public procurement needs to maintain openness, transparency, accountability and ethical standard. So, strategic procurement seems not much congruent with public procurement. Other experts oppose saying that NPF's vision (of ensuring value for money with integrity in order to achieve sustainable development) refers to the equal treatment of PPR 2008. According to PPA (2006), "The procurement regime in Bangladesh is premised on the principle of non-discrimination. The procuring entity is under an obligation not to prevent any tenderer from entering into procurement processes on the ground of race, colour, sex or any other ground." Some experts think that PPR can adopt strategic procurement policy. PPR is not just a watertight jacket; rather amending PPR can be done. Strategic procurement framework can be inserted in PPR, and if needed, PPR can customize the relevant documents which will just be part of updating the modules.

According to UNDP (2008), the capacity development responses need to include incentivization program for relevant staff, the risk mitigation responses, etc. Also, ensuring maximum harmonization in procurement policy is required. As per UNDP (2008), the capacity gaps need the dedication of significant time and resources and this requires being lead by the Government with support and buy-in from a broad range of stakeholders. Regarding the update of procurement policy of World Bank and other development partners, experts think a joint cooperation strategy between the Government of Bangladesh and its development partners in this regard is always effective.

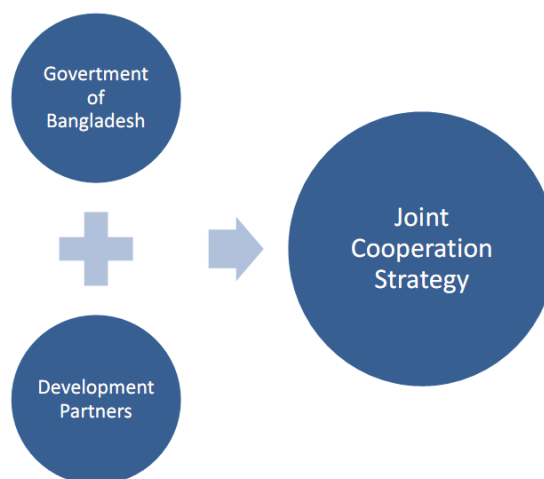


Figure 11: Joint cooperation strategy

As per the Experts Interview data, prior to introducing a new policy this is needed to be agreed by both the government and the donor partners. As the Act 3 of PPA (2006) suggests, this Act (PPA) shall apply to “Procurement of goods, works or services under a loan, credit or grant agreement or under any other agreement with a development partner or with a foreign state or an organization provided that if there is anything to the contrary in any such agreement entered into, the provision of that agreement shall prevail”. So, a discussion between Economic Relations Division (ERD) and the donor organizations is needed. If the new policy does not fit with the existing system, a discussion or negotiation can also be arranged between the applicable representatives of GOB and donor organizations. Experts also comment that public procurement capacity building of Bangladesh was an evolution. Transforming from existing system to a new system is an evolutionary process, and it needs to experience a slow but steady progress.

4.2.1 Procurement Regulations for IPF Borrowers (PRIB):

The vision of the new procurement framework is described in Procurement Regulations for IPF Borrowers (PRIB) as: “Procurement in IPF operations supports Borrowers to achieve value for money with integrity in delivering sustainable development (PRIB Document, The World Bank, 2016)”. In this process, the support of World Bank procurement staff has been established as an important part and the staff will help the borrowing entities in different steps by providing necessary suggestions. This PRIB is applicable for more than 170 countries in the world which covers diverse locations and challenging operating environments.

About the rationale of these new procurement regulations, PRIB Document (2016) explains: “Procurements range from highly complex infrastructure, cutting edge consultancy, major pieces of plant/equipment, high tech information technology, research and development, and critical supplies, to simple, routine goods and services. Therefore, these Regulations must be practical, in all situations, to ensure the correct procurement approach is used to deliver the right results”. Along with supporting the core procurement principles (transparency, economy, efficiency, integrity, value for money), these regulations have proposed different means to determine the right approach to market. These regulations have ensured stronger relationship between the Bank staff and borrowers.

In PRIB document, the role of borrower and the Bank has been clearly defined. The borrower is supposed to complete procurement activities (planning, strategizing, seeking and evaluating bids, record keeping, etc.) as per the regulations. The borrowers, upon the Bank’s permission,

can engage independent Probity Assurance Providers (PAPs) in order to ensure proper procurement and contract management. Prior and post review will be determined based on the risks and complexity of any contract or project. The procurement risks and complexity of the project will be based on assessments by the Bank before and during the project. In these new regulations, the Bank staffs are to support the borrowers not directly in executing procurement but by providing necessary suggestions and assistances.

In PRIB, effective participation and performance of high-quality firms and individuals has been addressed as very important step to achieve competition and value for money in procurement of any project. Some important areas like conflict of interest, unfair competitive advantage, noncompliance, complaints, fraud and corruptions, etc. have been described in PRIB document as well. E-procurement has been permitted provided the system (its accessibility, security and integrity, confidentiality, and audit trail features) is acceptable to the Bank. Also, leasing has been allowed provided this benefits the borrower economically and operationally, and appropriate risk mitigations measures are in place.

Value engineering has been introduced in this new framework so that the necessary functions in a project at the optimal cost can be ensured. This has been done to ensure better performance, more reliability, quality, safety, and other required features which can be part of contract between procuring entity and contractors. The PRIB document defines, “Value engineering promotes the reduction of time or the substitution of materials, methods, or less expensive alternatives, all without sacrificing needed functionality, longevity, or reliability.” All the communications during any procurement has been instructed to keep documented, for example, record of meetings in connection with early market engagement, competitive dialogue, and clarification meetings.

This step ensures transparency during the strategic approach. In the new standard procurement document (SPD) of goods, evaluation and qualification criteria have been increased, new criteria like deviations in payment schedule (evaluation can be done based on the base price, and bidders can propose alternative payment schedule indicating any possibility of price reduction), the availability of spare parts and after-sales service, life-cycle costs, specific sustainable procurement technical requirements (guided by the Bank’s Procurement Regulations and Sustainable procurement guidance notes, as applicable), etc. have been incorporated.

This is to be noted that a “standstill period” has been introduced in this new framework where a procuring entity, unless any emergency case, must transmit the Notification of Intention to Award (NOIA) and allow a specific time to complete debriefing and complaints-dealing. In the award criteria, previously the purchaser was to award the contract to the lowest evaluated bidder, but under this new framework, the lowest evaluated bid must be the Most Advantageous Bid (MAB) as well as the bidder must meet the qualification criteria and submit responsive bid document. Previously, the technical evaluation of bidding of goods only covered the specification and schedule of requirement, but now, the technical evaluation is expected to cover wider area. There is a new option introduced in this framework named the use of Best and Final Offer (BAFO) which the Bank may agree in case of the prior-review international bidding. Prior to apply BAFO, negotiations, a PAP or Probity Auditor must be appointed by the borrower in order to ensure integrity in the process. Beside covering terms and conditions and price, negotiations may cover social, environmental, and innovative aspects. In this new framework, the framework agreement or call-off contracting has been introduced to avoid multiple tendering for same types of equipment in a year.

4.2.2 Project Procurement Strategy for Development (PPSD):

According to Kwakkenbos (2015), “The centrepiece of the new policy is the development of a partner country Project Procurement Strategy for Development (PPSD). In principle this strategy will be developed by the borrowing country and will guide all decisions related to public procurement”.

As the NPF ensures, the procuring entities (PEs) will have to prepare a project procurement strategy by exploring the best means to engage with bidders. Needs and risks associated with projects will have to be assessed by the PEs and prepare a Project Procurement Strategy for Development (PPSD). “The PPSD is to outline the fit for purpose procurement arrangements that suit the situation and that most efficiently meet the Project Development Objectives (PDOs)...it provides the basis for preparing the Procurement Plan that includes a description of the procurement activity, the procurement risk, value and approach to market and selection methods” (The World Bank Guidance, 2016).

The optimum procurement approach for each operation will be based on the findings from an analysis of the project needs, market, risks, and other influencing factors identified through a Project Procurement Strategy for Development (PPSD) (World Bank Website, 2015). As the PPSD Document (July 2016) details that the level of detail in the PPSD should be

proportionate to the risk, value, context, nature and complexity of a Project/contract. As with the overall preparation of the PPSD, the use and application of these tools needs to be proportionate to the level of market research and information required to develop a “fit for purpose” procurement approach. There is not an expectation that all the procurement tools will be used, but only those most appropriate to the individual Project/contract circumstances.

In NPF, value for money has earned more focus, and so, quality, cost and other associated facts have become part of assessment during procurement planning and management. According to the World Bank-issued PPSD Document (2016), “the Project Procurement Strategy for Development (PPSD) is a methodology that is used to determine the optimum procurement approach to deliver the right procurement result. This detailed Guidance provides a structured approach for Borrowers to use a modern procurement set of tools and techniques to achieve best Value for Money (VfM) in Projects financed through Investment Project Financing (IPF).”

The World Bank (2016) describes “The PPSD is the cornerstone for ensuring that the procurement approach is properly planned and designed. This will enable the selection of the most appropriate suppliers by providing the suppliers with the best opportunity to demonstrate the value they can offer through the selection process.”

PPSD is mainly a technical resource for the borrowers to use in investment projects financed by the World Bank and which are with highest value and risk. This will follow a structured ‘fit for purpose’ approach using modern procurement tools and techniques (market research, assessment of operational context, risk assessment, supply positioning, etc.) to deal with risk, value, context, nature and complexity of project and contract. The borrowers will now have to consider different things like the market situation, the operational context, background experience and the existing risks to prepare a project procurement strategy as per the template suggested by the Bank. Based on this consideration, the right procurement approach will yield the right market response, right potential bidders, and an overall increased chance of achieving value for money. Therefore, a comprehensive and critical analysis will have to be completed in order to determine the right procurement approach.

PPSD has become an integral part of loan negotiation (project planning stage) between borrower and The World Bank since PPSD summary has become part of Project Appraisal Document (PAD). So, PPSD must be prepared at the beginning of any project cycle. PPSD of any project is expected to describe sufficient detail of procurement of minimum first eighteen

months of the project, and the procurement plan is to be updated every twelve months or earlier. In order to address any information gap in PPSD, research and market engagement has been suggested. As per the World Bank-PPSD Document (2016), the NPF focuses on three following stages of procurement:

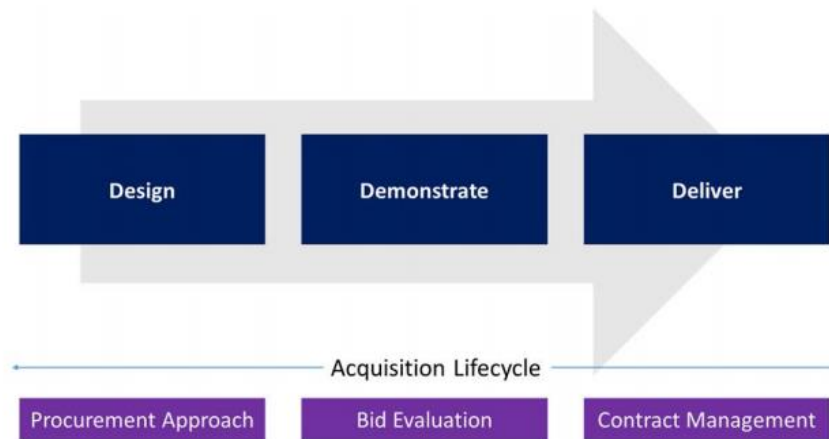


Figure 12: Three "D" Procurement Planning Approach

The NPF has also focused on eight sections of PPSD template: a) Project Overview; b) Strategic Assessment of Operating Context and Borrower Capability; c) Procurement Risk Analysis; d) Stakeholder Analysis; e) Procurement Objectives; f) Procurement Approach Options and Recommendations; g) Preferred Arrangement for Low-Value Low-Risk Activities; h) Summary of PPSD to Support the Preparation of the PAD by the Bank.

This shows that the new framework has focused more on strategic approach towards procurement than its regular traditional procurement perspective. By doing this, the budget for procurement in a project will be more communicated between the Bank and the borrowers. Also, PPSD contains project development objectives which will help the procurement personnel understand the background and necessity of the project. The result indicators will be part of PPSD so that project evaluation can be easier after completion of projects. In PPSD, the borrower will have to describe its operational context (governance aspects, economic aspects, sustainability aspects, and technological aspects), its capability and implementation units, and market research and analysis.

The PPSD will also complete a procurement risk analysis assessing areas like market complexity and competitiveness, delivery and supply security, suppliers and supplier relationships, borrower experience, capacity and capability, cost trends, technical innovation – the degree and rate of change, sustainability (environmental, economic, social); and business

and operating environment. Another element of PPSD is stakeholder analysis (Responsible, Accountable, Consulted, Informed analysis or RACI) where the borrower will have to identify stakeholders in order to ensure proper stakeholder relationship management. Also, the PPSD has to describe SMART (specific, measurable, achievable, relevant and time-bound) objectives of a project. Here, there is a noticeable difference from the traditional previous procurement activities.

In PPSD, the borrower will have to determine the approach of procurement, for example, specifications (conformance/performance), sustainability requirements, contract type (BOT, traditional, or EPC), pricing and costing mechanism, supplier relationship (adversarial/collaborative), price adjustments, form of contracts, selection methods and arrangements, market approach, evaluation method, cost-evaluation (life-cycle costs or adjusted bid price), rated criteria, key performance indicators and contract management, etc. The PPSD has addressed a complete new thing in public procurement of Bangladesh which is supply positioning and supplier preferencing in order to assess the criticality of the goods, services, and works by evaluating contract risk and value. In order to ensure sustainable element in procurement, the borrowers can add sustainable procurement technical competence or environmental measures.

4.2.3 Systematic Tracking of Exchanges in Procurement (STEP):

Transparency leads to good decision making, and so, the Bank has planned for STEP. STEP, one of the major elements of NPF, is an end-to-end online system or a state-of-art information tool which is to help both the Bank and borrowers plan and track the Bank-financed project procurement activities (planning, implementation, activity tracking, contract management, reporting and analysis). “STEP is designed with distinct and different dashboards for clients and World Bank Staff that facilitates data analytics that allows for more informed procurement decisions and also enables the Bank to be more open with its procurement data” (Hunja, 2015).

It transforms data into knowledge, speeds up the procurement process, and improves accountability and transparency – driving results for development (World Bank Website, 2015). This system has targeted to real time access to information, collect and exchange data and transforming them into valuable intelligence, better locating ability of project expenditure, etc. This system has been targeted to reduce the need for protracted email exchanges. Through STEP, all documentation submitted to the Bank will be archived

automatically, making project information more accessible to key stakeholders (World Bank Blog, 2016). This system has been jointly developed by Operations Risk Management (OPSOR) within Operations Policy and Country Services (OPCS), the Global Governance Practice (GGP), and Information Technology Services (ITS) departments. STEP has replaced the previous legacy systems: System for Execution of Procurement Plans (SEPA) and PROCYS.

According to Hunja (2015), “Open reporting on procurement spending and contracting between borrowers and the Bank will allow for greater transparency and accountability. Clients will benefit from project life cycle tracking and information that enables data-based decision-making and efficiency in procurement and project activities.” STEP addresses the importance of project management. According to The World Bank on NPF (2016), STEP has a) Lifecycle tracking, b) Risk identification, c) Integrity scanning, d) Bidding information, e) Transparency, f) Legacy integration, and g) Monitoring and reporting.

4.3 Necessity of Capacity Development

This is apparent from the NPF that without proper capacity and trained people, procurement activities of any project will face a number of difficulties since this strategic approach requires strong technical knowledge to analyze different components to be described in the PPSD. However, most of the implementing agencies still need to develop their capacity in integrating with this modern system of e-procurement and online file management system. IDCOL does not have any online procurement facilities to manage its procurement activities yet. In order to prepare plan for procurement financed under the World Bank, IDCOL usually communicates with its development partners via e-mails. For The World Bank, beside communicating via email, IDCOL has been uploading information on SEPA which has been an electronic procurement plan management system of the World Bank.

Since the World Bank has taken initiative to introduce STEP which is considered to be a complete solution for online file management, IDCOL will have to maintain its procurement activities through STEP in future. STEP is a real time system, and to stay updated always, it requires sufficient attention and effort. STEP requires scanning documents (tender document, tenders, evaluation reports, approvals, contracts, relevant invoices, etc.) and uploading them instantly. Any delay of any borrower in completing any procurement will be recorded in STEP as deviation and indicate poor performance of the borrower. So, having a complete,

trained and dedicated procurement department has become one of the major necessities in organizations in order to cope with the speed of STEP.

4.4 Challenges of Implementing NPF in Public Procurement of Bangladesh

The World Bank Group (2015) has already identified the key challenges of NPF which are: a) reorienting procurement skill set, b) changing from rigid rules to more discretion, c) risk tolerance, d) culture change, e) alternative procurement arrangements, f) resourcing (budget & people), g) degree of disclosure, and h) managing change.

According to Kwakkenbos (2015), the language (of NPF) is ambiguous in terms of implementation. One of the major agreement of the Busan Partnership (Source: OECD, The Busan Partnership for Effective Development Cooperation, 2012) was to “use country public financial management systems as the default option for development financing, and support the strengthening of these systems where necessary”. Kwakkenbos (2015) comments, in order to implement NPF the World Bank will run a programme and determine the resources that need to be raised to implement it, and this approach is a stark contrast to commitments made to development effectiveness.

Kwakkenbos (2015) points to the Busan Partnership agreement, according to which, the signatories will: “Assess jointly country systems using mutually agreed diagnostic tools. Based on the results of these assessments, providers of development co-operation will decide on the extent to which they can use country systems. Where the full use of country systems is not possible, the provider of development co-operation will state the reasons for non-use, and will discuss with government what would be required to move towards full use, including any necessary assistance or changes for the strengthening of systems. The use and strengthening of country systems should be placed within the overall context of national capacity development for sustainable outcomes.” According to Kwakkenbos (2015), “in theory the Bank should have to justify not using partner country procurement systems based on a mutually agreed diagnostic tool and then develop a capacity development plan that would enable their use. In practice the partner country has to request the use of its own country systems which are then assessed by the Bank’s own diagnostic tools that determines a capacity development plan that the partner then has to pay the Bank to implement.”

As per the data from the Expert Interview, a procurement rule is already established in Bangladesh and a huge effort and cost has already been invested to build the procurement

capacity to deal with the existing procurement management system. A new policy at current condition may not be an effective, acceptable and feasible to all. Much like PPSD, there has provisions of planning before any project procurement in public procurement which is called 'Procurement Plan'. In public procurement, the possible risks are not documented at the beginning but the risks are already known to the relevant people for example, political influence, unskilled procurement, time management, etc. and when there comes any problem during any project, relevant people work hard to solve that. In public procurement, real time approach is not feasible, especially for the context of Bangladesh because there have some tiers of authority which an approval stream always needs to go through.

As per the Expert Interview Data, this is a fact that the new procurement framework requires more technical knowledge but in Bangladesh there has still problem with capacity. There is no sufficient resource and budget in different projects for building capacity or necessary training. If PPSD needs to be prepared under any project, it will require additional cost, effort, time, and resource allocation. At policy level, top officials are not yet fully aware of procurement rules and regulations. Under the capacity building initiative of CPTU, a certain portion of capacity has been developed among mid-level officials, and this is expected that when these officials will go to the upper level and this will create good impact in future public procurement sector. Short training, workshops, information sessions, etc. is always beneficial. Bangladesh has developed in IT sector much, but still there has lack of skilled people in public procurement management. Since the procurement professionals are the ultimate user of the system, the issue of building the capacity of professionals should get major importance.

As per the Expert Interview Data, we must focus on the point that there happens no compromise with an established system so that any undue work happens. Probity Assurance Provider (suggested in the NPF) has the chance of not being an effective idea because it needs to ensure that there is no conflict of interest in this case. A Probity Assurance Provider (PAP) from the donor partner in a donor-funded project may create a conflict of interest. If still there happens any mistake in that procurement despite having a PAP appointed, who will be the responsible one and what will be the consequence. In this case, the borrowers might be at risk more and there has a possibility of getting the speed slow in the decision providing process. As per expert interview data, Probity Assurance Provider (PAP) is required for complex projects. But, right persons are required to assign as PAP. A PAP must be a concerned expert with a high degree of training and integrity who has comprehensive idea about procurement.

Experts comment about the introduction of NPF saying that any change can add value, but to align with any new policy, there are some relevant things required. There are different donor partners and they all have different rules and regulations. Incorporating the major themes of procurement, the public procurement rules and regulations (PPR 2008) have got today's shape. This is difficult for borrowers now to maintain different rules and regulations of different development partners; rather, a harmonized and unified procurement policy is needed. We must accept that in government sector there has frequent transferring system and government service holders are not posted in any specific location for a long time. A certain capacity has already been developed at public procurement sector via a training and capacity building process. Now without making these people enable or trained in new system, applying this new concept all on a sudden may not help NPF attain its goal.

There has still the limitation of skilled people in procurement field. NPF will have conflict with the e-GP because e-GP is a real time system and in order to align this with NPF there may need adjustment. This is also to be checked at which points E-GP guidelines may conflict with NPF. This is also a matter of apprehension that if there requires any change at present stage, who will accept to do this between the government or development partners. So, there might have a possibility of conflict here. Till now, this is seen that the speed of donor-funded development projects is better, but if this new policy is implemented, there has risks of getting the speed of these projects slow. Regarding integrating strategic procurement in e-GP, an expert thinks that this will not be a tough task. The integrated policy can be part of e-GP, it will improve the monitoring, tracking, supervising and management condition. This will also help in real time audit approach. Experts think that the real-time audit approach through STEP will ensure better monitoring, tracking, online supervision, etc. If properly maintained, STEP can be a very useful tool to strengthen the state of administrative accountability to a significant degree. According to experts, e-GP is a tool and a proper blending of e-GP and NPF can be beneficial.

Like 'standstill period' of NPF, there has a system in PPR too which the Review Panel deals. When there comes any complain to the Review Panel, Notification of Award (NOA) cannot be issued. The concept of 'standstill period' exists in European Union guidelines where this period is declared by the court. Standstill period may not be fruitful in Bangladesh's environment, because it may spoil the objectives of any project or procurement. The bidders will raise objections which is part of the behavioral culture of this subcontinent. In that case, real time approach will be hampered.

In order to ensure sustainable development, there have still a lot of things to implement at the policy level. Experts think that NPF should be tested through a pilot phase. They also think that before initiating this new policy while at the planning and preparation level, the World Bank could sit with the public procurement specialists of Bangladesh or discuss this with the relevant policy-makers. Now, there is not enough capacity to deal with the NPF in Bangladesh, and if there happens any misprocurement under this new policy, controversy can appear that who will be ultimately responsible.

Before introducing any system in a country, as experts comment, this is required to study the existing policy of the country and its capability of adapting any new system. Public procurement of Bangladesh has similarity with that of Bhutan or Nepal, but if it comes into any comparison with the procurement of USA or UK, the outcome will not be much effective. According to the survey results, most of the employee respondents think that organizations should follow procurement process strictly and sincerely, they should arrange training at regular basis. In order to make procurement efficient and properly aligned with project objective, it certainly requires assistance from all the user units, technical unit, finance department, administration, environmental department, etc. Some respondents think that mindset of people needs a change to accept this new framework. So, training of all officials of an organization is necessary indeed. Some respondents think that having a dedicated procurement unit is a key to ensure proper procurement management.

Experts think that PPR 2008 of Bangladesh addresses value for money and all the other relevant things in public procurement, and any other new policy at this moment is not needed. Also, there is not enough financial budget and capacity for thrusting the new themes of the new policy. Some experts are much positive about NPF as they think NPF is much flexible policy which is result of feedback of relevant people worldwide. Regarding new approach of procurement, experts think that any reform is a painful slow process. Reform faces teething problems and reform affects different stakeholders differently. So, this will take time to get a proper idea about the feasibility and impact of NPF. From the perspective of state-owned enterprises like IDCOL which implement projects financed by development partners, experts think that organizations should focus on capacity development and formulating and updating their own procurement policies. Also, arranging training or information session for the government auditors or regulatory bodies will be required. For people who have received public procurement training courses, some experts think that short refresher training sessions are sufficient.

CHAPTER 5: IDCOL'S PROCUREMENT ACTIVITIES

5.1 Introduction

This chapter discusses different aspects from the perspective of current status of procurement management the state-owned company Infrastructure Development Company Limited (IDCOL). Relevantly, the annual procurement budget of IDCOL, public fund management, advantages and disadvantages of ongoing procurement structure, necessity of capacity development, the survey results, etc. have been discussed. For analysis, data of expert interviews and information from surveys have been used.

5.2 IDCOL's Procurement and Annual Procurement Budget

Infrastructure Development Company Limited (IDCOL) is a state-owned development financial institution dedicated to promote/finance infrastructure and renewable energy projects in Bangladesh. It has been playing a major role in bridging the financing gap for developing medium to large-scale infrastructure and renewable energy projects in Bangladesh. IDCOL's stakeholders are the government, private sector, NGOs, multilateral and bilateral institutions, academics and the people of Bangladesh at large (Source: IDCOL Website).

IDCOL aims to help ensure economic development of Bangladesh and improve the living standard of people through sustainable as well as environment-friendly investments under different development projects. It works in different energy efficient projects through public-private-partnership initiatives. IDCOL works with major international development partners like the World Bank, KFW Development Bank, ADB, JICA, DFID, etc. IDCOL has more than 100 partner organizations who work with IDCOL in its portfolios (biogas, Solar Home System, improved cook stove, solar mini-grid, etc.) under renewable energy program.

According to IDCOL's Annual Report 2014-15, the donors provide two types of grants, for purchase of items of POs and the institutional development grant for institutional development of POs. Both the components of grants decline as market expands and becomes commercially viable. In addition to grants for POs, donors also provides grants for project implementation cost which includes; monitoring, supervision, marketing, physical verification, technical audit, capacity building of POs, consultants' fees, etc.

IDCOL's business along with scope of operations is increasing day by day. With a base of BDT 3,000 million (approx.) in 2009, IDCOL's loan portfolio has grown ten times to BDT

35,000 million (approx.) in 2015. Its net worth has also grown from BDT 1,320 million (approx.) in 2011 to BDT 5,673 million (approx.) in 2015. This is to be noted that the current market condition requires more investments in the type of financing IDCOL does. IDCOL procures goods, works and services under total 15 projects financed by different development partners. IDCOL's annual budget for procurement is almost 10% of its total annual budget. In last 3 (three) years (from 2013 to 2016), IDCOL procured as follows under the projects of its different development partners:

Sl.	Categories	Amount in Thousand USD(\$) (Approx.)	% of Total amount
1.	Goods	2,000	33%
2.	Works	105	2%
3.	Services	4,000	65%
4.	Total	6,105	100%

As a 'lender to investor' financial organization, the procurement of consultancy service covers the major portion of procurement budget in IDCOL. It procures goods mainly for its operating purpose and for different field level operational activities.

5.3 Challenges with Capacity in Procurement

According to Rajaram et al (2014), "Procurement is particularly problematic in developing countries, because wherever the institutions and norms for public management are not well established, and wherever the civil service may be poorly trained and remunerated, compliance with rules tends to be weak and overall governance conditions poor." So, enhancing capacity is important indeed in an organization.

A survey among the employees of IDCOL shows that most of the respondents are still not completely aware of public procurement. A majority of respondents heard about the procurement guidelines of the development partners but they are not much familiar with or trained on these guidelines. Regarding NPF of the World Bank, only one respondent is trained and the others are either not aware of or they have only heard about NPF. Only thirty percent respondents of the organization have procurement training. Most of the respondents think that the relationship between borrower and development partner should be collaborative and strategic. In order to deal with NPF in more efficient way, it requires more training and capacity development program and continuous assistance of the Bank staff. The World Bank should adopt approach of training and capacity development rather than penalizing the borrowers.

Regarding procurement capacity of IDCOL, it has 01 (one) person in the procurement department who works directly under the supervision of Head of Operations. The procurement official is well trained. Since the number of projects and tasks of IDCOL is increasing, IDCOL management actively considers developing its procurement capacity by increasing the number of staff in its procurement department.

For more efficient handling of procurement, IDCOL can arrange more national and international training, and develop software for continuous surveillance. In order to financial planning and forecasting, the respondents feel that integration between finance team and procurement team needs to be increased. In strategic procurement approach, most respondents feel the necessity of vendor analysis and supply-demand capacity forecasting. Some other respondents also feel the necessity of supply market analysis, critical success factor analysis, and competitor and industry analysis. Respondents also feel that organized procurement can inspire financiers or investors more and the consequences of misprocurement can lead to acquisition of poor quality goods, lack of public confidence and deterioration of investment.

In order to improve procurement condition of own organization, respondents have suggested to increase the manpower and arrange coordination meeting frequently with internal departments. Procurement planning should be at the right time otherwise the existing capacity may not work properly or go through non-value adding processes (for example, reworking any task or planning in the middle of any assignment, delay, confusion among teammates, conflict between units, etc.). The development partners can arrange information session with senior officials so that the seriousness of procurement can come from the top. Also, electronically and strategically planned procurement system is required and the bureaucratic delay should be minimized to make procurement management more efficient and effective.

5.4 Challenges of Implementing Strategic Procurement in IDCOL

In general, this will take some time in Bangladesh to let people understand and properly value the strategic capability of public procurement. This is yet to be explored that what procurement department can deliver as a strategic unit in organization. As per the survey, most of the respondents think the public procurement is preferable because of its transparency. Most of the respondents agreed that organizational efficiency will increase if the opportunity of buyer-supplier collaboration can be enhanced. Seventy percent of respondents agree that the rule of NPF of awarding 'most advantageous bid' will ensure better value for

money. This refers to the fact that people feel the need for a shift towards strategy in public procurement.

As per the survey conducted, a majority of the respondents feel the necessity of electronic media in procurement management. All respondents think that NPF's suggestion of market engagement, competitive dialogue and clarification meetings with suppliers will be effective in procurement. As per the respondents, electronic media in procurement management is preferable because it can increase efficiency, information and data security, it can save time and decrease dependency on documentation. Some of the respondents think this process can ensure transparency more.

In this new procurement framework, there has a special focus on formal and transparent negotiation and feedback from applicants (standstill period before signing contract). Sixty percent of the respondents have opined that 'standstill period' of NPF is an effective step and twenty percent of them feel that this may augment complicacy in procurement process. Some comment that 'standstill period' will increase the procrastination in public procurement. According to them, subsequent to obtaining approval from competent authority there should not be any obstacle before awarding any bidder, but as this standstill period suggests, prior to issuing NOA, the NOIA should be issued to the participant bidders. To them, "standstill period" will complicate the situation in procurement management and there needs to have a good solution as substitution of this step. This is to be noted here that the bidder respondents are much positive about this decision.

To the respondents, the problems of public procurement are its bureaucratic approach and excess documentation process. Some others think that the delay in procurement process is also a problem. Most of the respondents strongly agree that procurement practices of the organization needs to be designed in accordance with the needs of the stakeholders. So, the major objective of any new policy should be to improve the situation. Almost all of the respondents think that procurement is a serious as well as important issue for the organization, and there should have budget for enhancing procurement capacity in organization. A majority of the respondents has opined for aligning purchasing objectives and strategic objectives of the organization. They think that the functions of procurement have strategic importance in the organization. In order to implement strategic procurement therefore, an organization must align its procurement system with its organizational strategy and objectives.

The respondents opine that the time required for procurement makes the business units suffer to implement the important decision. Since the other business units put their major focus on their own tasks (loan disbursement, managing other compliance issues, monitoring and evaluation at projects, meeting technical requirements of projects, etc.) and have less idea about the operational timelines of procurement department, the time procurement department takes seems lengthy and redundant to them. Also, there has risk of the lack of coordination between procurement planning and annual budgeting which IDCOL always tries to minimize. Maintaining a proper coordination between business units, finance and accounts, and procurement department is always a challenging but important task.

In order to discuss implementation challenges of strategic procurement in IDCOL, the ‘Field Force theory’ can be discussed. Kurt Lewin wrote about his ‘Field Force theory’ (Lewin, 1951): "An issue is held in balance by the interaction of two opposing sets of forces - those seeking to promote change (driving forces) and those attempting to maintain the status quo (restraining forces)". As per this theory, IDCOL’s condition can be analyzed as below:

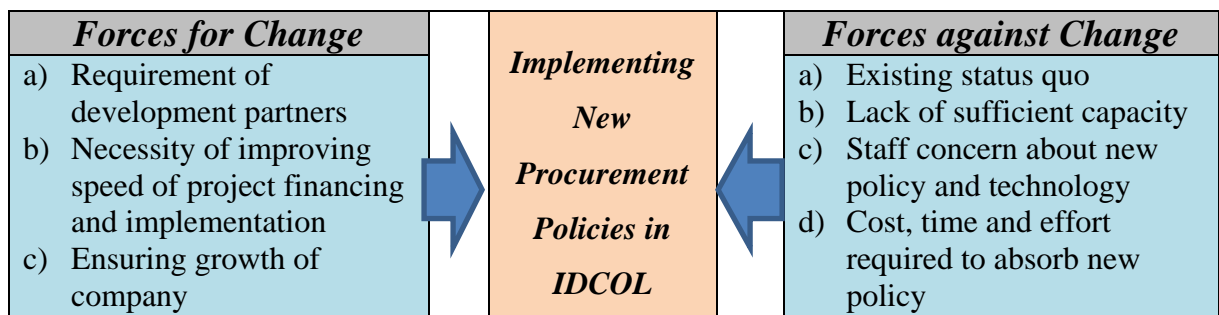


Figure 13: Force Field Analysis of IDCOL

From the figure above, this can be said that implementing any new policy in an organization can face these two types of forces above. IDCOL has been following a set of procurement policies, and any new policy will take some time to be absorbed by the relevant officials. The forces in favor changes are: a) requirement of development partner, b) necessity of improving project speed, c) the company’s need for improving growth, etc. There are some forces which can be considered as opponent of this implementation. They are: a) the existing mindset which may take time to replace with new attitude, b) lack of enough manpower and resources (for example, IDCOL may need to train its employees in NPF which requires budget in capacity enhancement), c) possible concern and confusion of relevant staffs at this transition period between previous and new policy, d) cost, time and effort to absorb this new policy which may become a concern to management, etc. This NPF requires hands-on support from Bank staff, and so, the availability of the Bank staff can be a matter of

dependency in future days. Based on the expert interview and as per the idea of Future Wheel by Jerome Glenn (1972), the potential consequences of new procurement framework have been illustrated below:

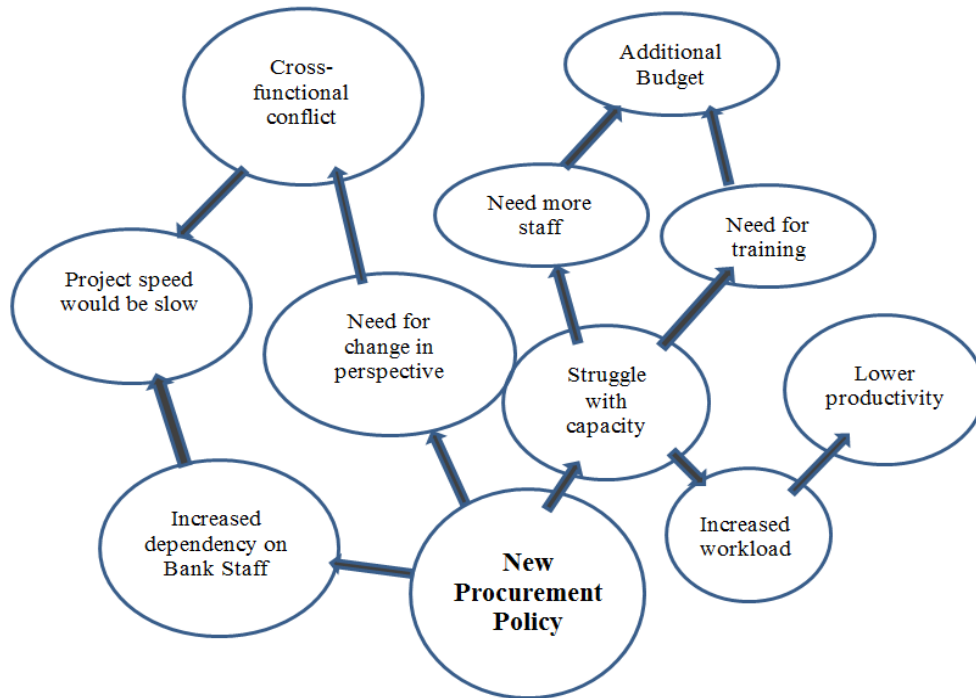


Figure 14: Potential Consequences of NPF (As per Future Wheel Model)

For IDCOL, some challenges in procurement management are:

- a) **Lack of procurement forecasting:** Since IDCOL’s main focus is financing, procurement forecasting does not get much focus from the business units. In majority of the cases, emerged situation requires certain procurement which is incorporated in procurement plan. A survey respondent opines that a right procurement planning can be effective here. IDCOL has a number of functional units and maintaining a proper coordination is an arduous task, but without a proper cross-functional teamwork, preparing a procurement plan is risky and IDCOL is yet to solve this issue. IDCOL usually includes its different procurement needs in procurement plans during the project via sending formal request to its development partners. A proper forecasting of procurement planning therefore would enable IDCOL more in forecasting project finance and project management.
- b) **Capacity problem:** IDCOL now has only one procurement personnel and other staffs of the organization still need knowledge and training on procurement policies. The

knowledge needs to be disseminated among all the business units so that coordination can introduce IDCOL officials with advanced stage of procurement and help them handle the projects more efficiently.

- c) **Lack of appropriate KPIs for measuring performance of suppliers/ consultants:** There are no such established KPIs yet. Due to this deficiency, the subjective judgment or previous experience is usually applied which may have the chance of erroneous decision-making. There is still the chance of improving this area of IDCOL.
- d) **Time Pressure:** Since a number of projects are ongoing, the time pressure of the procurement team is a concern. Too much time pressure can cause mistakes, inefficiencies, lack of planning and coordination, delay, etc. Too much pressure can have a negative effect on the enthusiasm of relevant employees.
- e) **Skills and knowledge gap:** Since the function of the procurement department is cross-functional, a proper coordination among all the units is needed. IDCOL's core objective is not procurement rather financing. So, its core competence is not procurement management or project management, rather financial management and appraisal. There is a risk of a skills gap here.
- f) **No automation:** There is too much document-based work in procurement, and there is no automation or MIS in IDCOL's procurement yet. This is one of the major challenges at the current stage. In order to deal with the future strategic approach of procurement, improving this capacity is essential.
- g) **Dilemma between process-focused approach and results-focused approach:** As a public-private partnership, IDCOL has several regulatory bodies. So, IDCOL needs to focus on its compliance issues in order to adhere to the applicable processes. Too much compliance-prone approach makes IDCOL's speed slower in some cases. Since IDCOL needs to depend on return on investment to manage its operating cost and economic sustainability, this slow speed in projects hampers smoothness in the organization's operation.
- h) **Stricter rules than competitors:** IDCOL's competitors are the non-banking financial institutions (for example, IDLC, Lanka Bangla, etc.) who do not have to follow that much bureaucratic approach in its operation and can run for more investment and profit. Here, IDCOL, as a government company, has to follow applicable rules and regulations with more importance. Too much rigid procurement process often slows down the operation of IDCOL and creates impacts on the ultimate objective of any project.

5.5 Improvements required in Public Procurement

Regarding future of public procurement of Bangladesh, the respondents have suggested the necessity of exploring more transparent, updated and efficient procurement system. Also, there have suggestions to train more people of this field and a proper planning with a vision of next ten to fifteen years. Respondents have also focused to explore the system in a way that the chances of corruption and fraudulence can be minimized in procurement and more transparency can be ensured. Some respondents think that procurement should be designed in such way that both vendors and buyers should be benefitted.

According to expert interview data, efficient implementation of strategic procurement needs practical down-to-earth planning. Capacity building is essential. If properly implemented, sustainability will be ensured. Since this will be related to project strategy, procurement will not be halted for other factors (training of users, recruitment of new people, etc.). Since strategy covers a number of factors, procurement activities can be completed more smoothly. When the relevant stakeholders are involved from the beginning, they will stay interested and enthusiastic till the ending. This will also improve the ownership condition. This will also help change the mindset. There have opposite chances as well: more tasks will be added and changing from status quo will take time and effort. However, attempting ‘demonstration effect’ in this regard would be beneficial.

Procurement personnel need to handle NPF cautiously. This is true that Bangladesh does not have sufficient capacity to deal with this new policy. NPF requires knowledge-based capacity and this is difficult to grow this capacity overnight. This requires a gestation period. We must admit that there are some challenges like transferring of employees, resignation, etc. Beside human resources, physical resources and other resources should get emphasis. According to UNDP (2008), “Alignment strategies for country systems and institutions for procurement should not been seen in isolation but should take into consideration alignment relating to other areas such as audit, monitoring, human resources and public financial management.” An integrated policy therefore can develop efficient and effective resource.

Regarding NPF, most of the survey respondents are optimistic. Most of the IDCOL’s respondents think that arranging more training as well as increasing coordination between finance and procurement departments are necessary so that financial planning and procurement planning never face any conflict with budget allocation and project

implementation. Sometimes, projects face difficulties during the project implementation phase due to the budget deficit. A proper coordination therefore can help procuring entities avoid this type of inauspicious situation. Some survey respondents put focus on emphasizing more on annual procurement plans, developing software for continuous surveillance and increasing human resources to improve the performance of procurement. According to Expert Interview, STEP can help processes to be more transparent and monitoring to be easier, but the total procurement system still needs to be much more integrated as well as automated.

An appropriate blending of both efficiency and effectiveness needs to be ensured in procurement management. Procurement can be efficient but if it reaches its beneficiaries in inappropriate time the procurement will not be effective. This requires time, resources and effort at planning phase. Monthly review meeting, information session, hands-on assistance, developing manpower, etc. are required. In order to make NPF successful, approach should be evolutionary, capacity development should get focus, and an integrated approach should be adopted in order to make it sustainable for long time.

According to Expert Interview information about the effectiveness of strategic procurement in public and private organizations, private organizations always follow strategies to capture market. For example, PRAN and SQUARE groups are competitors in case of same type of product and they follow their own strategies to own more market share. So, definitely, strategic procurement is more effective in private sector, but in public sector, if properly implemented, strategic approach can be much beneficial too. Health Sector of Bangladesh has already started this approach. This sector has prepared a Five-year-strategic plan. Strategy is a long-term thing which does not change every year. Development projects are enlisted in DPP and in DPP this is mandatory to give procurement plans. The Green Book of Planning Commission also ensures this. However, NPF cannot be much effective for small projects rather for complex projects this can be more beneficial.

Experts opine that all other development partners may not follow the exact path of The World Bank, for example, JICA or China or Islamic Development Bank usually tries to follow their own methods, but demonstration effect may generate their interest. Harmonization of all the procurement guidelines of all development partners is still a challenge. In order to make NPF acceptable in public procurement of their borrower countries, World Bank has already announced their plan of capacity building. The Bank has announced that the Bank staffs will

provide hands-on assistance. Besides, experts think that more training sessions, shorter duration refresher course, etc. will be effective.

According to White et al (2016), a Cycle of Impotence can generate if the procurement function is neither empowered nor compelled to develop its strategic capabilities and contributions like below:

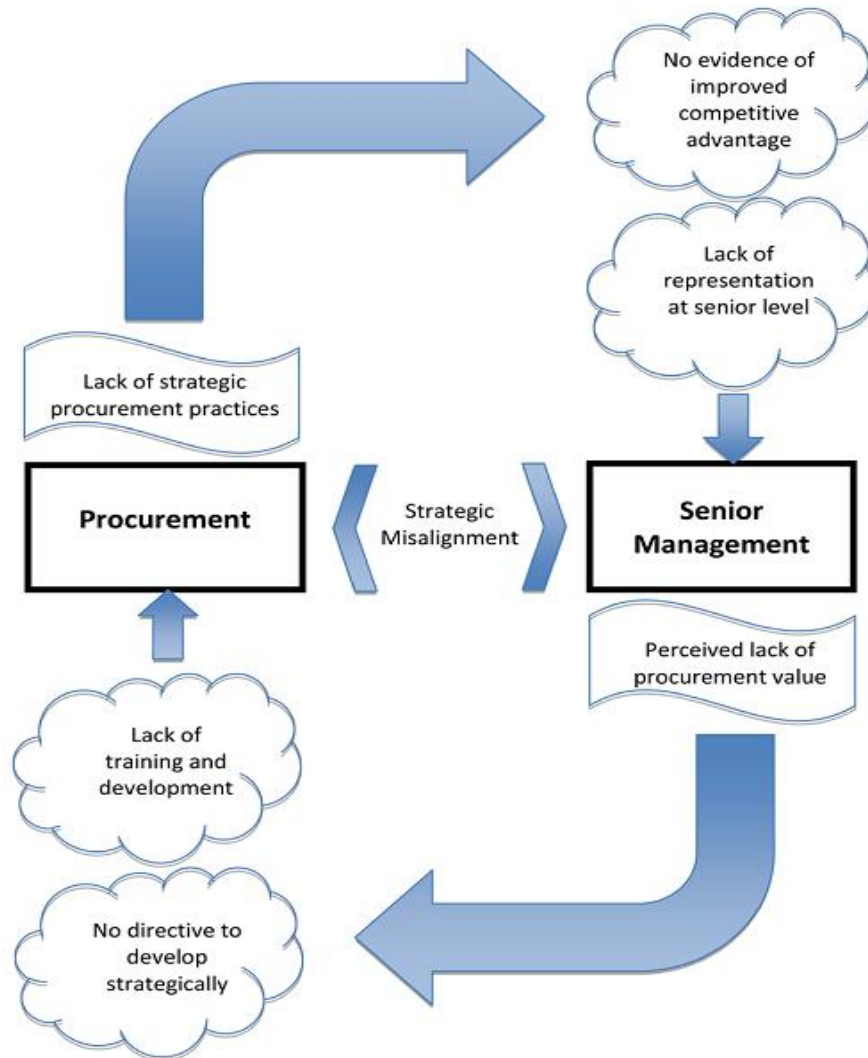


Figure 15: Cycle of Impotence in strategic procurement development

As per the figure above, there are some necessities associated with the successful implementation of strategic procurement. It needs evidence of success, representation from the top, proper directives, training and development, and most importantly, strategic procurement practices. Experts think that The World Bank should have not made the NPF mandatory from July 2016 rather they could allow a pilot phase and give the borrowers some

time to adjust with this new process. Also, the Bank could consider whether this NPF is applicable for all projects or mainly for projects of complex nature and high value.

Experts think that this new policy should follow 'learning by doing' approach. The World Bank can take steps for creating 'demonstration effect'. As per this effect, a good example or a successful project under NPF will lead others feel enthusiastic to follow it. Besides, this is needed to concentrate on the capacity enhancement of the project directors (PDs) and their associates since they accomplish the main task in field. Also, PDs need to do the tasks with sincerity and efficiency to make this new policy successful. Experts opine that the human tendency is to maintain status quo, and so, any reform usually looks like a slow and painful process. There stays an opponent to any reform all the time. People who are corrupt feel negative towards any new change. In order to make reform successful therefore, incentive strategy instead of penalizing can be more effective strategy. This is true that NPF will add tasks to procurement personnel, so an incentive can encourage them to accept the new policy.

CHAPTER 6: RECOMMENDATIONS AND CONCLUSION

6.1 Introduction

In order to find the answers to the research questions which were made in Chapter 1, effort has been made throughout this paper to go through the scope of the research. In Chapter 2, findings from the secondary literature has been presented and discussed. This Chapter acts like background study of the topic of the paper. In Chapter 3, public procurement has been described from bidders' perspective, for example, the challenges and predicaments bidders usually encounter. Also, the suggestions as well as expectations from the bidders have been discussed. The relationship between strategic procurement, public investment management and economic growth has been elaborately discussed in this chapter as well. In Chapter 4, new procurement framework of the World Bank has been discussed. In chapter 5, IDCOL's existing practices and preparedness have been analyzed.

This is seen that public procurement, expenditure and investment management, and sustainable economic growth are all strongly linked. Procurement is the lifeline of any development project; therefore, any lack of governance here results into delay in different points of project, and may give corruption the chance to enter any project. Lack of compliance creates problems in FDI as well as in trust between investors and implementing agencies. In this chapter, the necessary points of sustainable economic growth have been discussed.

6.2 Recommendations for IDCOL's Future Procurement

Industry Week (2015) describes, "Companies that begin adapting to the new procurement landscape today will be poised to seize a competitive edge in the decade ahead." Strategic procurement in the public procurement sector of Bangladesh is a new idea and it has strong potentials to encounter future challenges in management of development projects. In order to ensure a better future, these recommendations below can be drawn from the analysis throughout the paper which IDCOL can consider for ensuring efficient procurement in future.

6.2.1 Addressing sustainability issues in procurement:

Since IDCOL emphasizes green financing and renewable energy projects, IDCOL can put more emphasis on ensuring the consideration of sustainability components in procurement process. Also, focusing on green and energy efficient procurement may help IDCOL create a

public image or brand. IDCOL can consider sustainability factors in tender document, tender evaluation, and contract document while procuring different equipment. Notably, IDCOL has its own policies regarding environmental management framework (Harmonized ESMF for IDCOL RE Project). With reference to that, IDCOL can collect feedback from different stakeholders regarding environmental risks and prioritize the sustainability needs. In order to determine the necessity of sustainability implementation, IDCOL can use sustainability needs prioritization matrix while specifying needs and doing market engagement. An illustrative one is as follows:

Issue	Organizational Needs	Risks and Opportunities	Market Analysis	Total Score
	Priority	Score to Improve	Market Responsiveness	
Reducing carbon emission	2	2	2	6
Use of renewable resources	3	3	3	9
Use of Energy Efficient products	3	3	2	8
Creating employment	2	2	2	6
Waste minimization	2	2	2	6
Climate resilient capacity	1	2	1	4
Developing technical capacity	3	3	2	8

Figure 16: Sustainability Needs Prioritization Matrix

From the illustrative chart above, it shows that the top three sustainable issues IDCOL can address in procurement are: 1) Use of renewable resources, 2) Use of Energy Efficient products, and 3) Developing technical capacity. At the time of procurement, IDCOL can also consider: a) strategies to avoid unnecessary consumption and manage demand, b) Impacts of HSEQ (Health, Security, Environmental, Quality), c) minimizing environmental impacts of the goods/services over the whole-of-life, d) suppliers’ socially responsible practices including compliance with legislative obligations to employees, and e) value for money over the whole-of-life, rather than just the initial cost. At the phase of contract management, managing and monitoring the contract and measuring KPIs accordingly can ensure sustainable results. Sustainability criteria can be added in prequalification or shortlisting phase. These criteria are usually: a) Technical capability (for example, different standard technical certifications); b) Past experience (e.g. records of orders or references); c) Environmental technical competence (e.g. minimize accumulation of waste); and d) Social responsibility (e.g. code of conduct).

As relevant with the discussion above, according to Strategic Procurement Solutions (2013), a strategic procurement process can proceed like below:

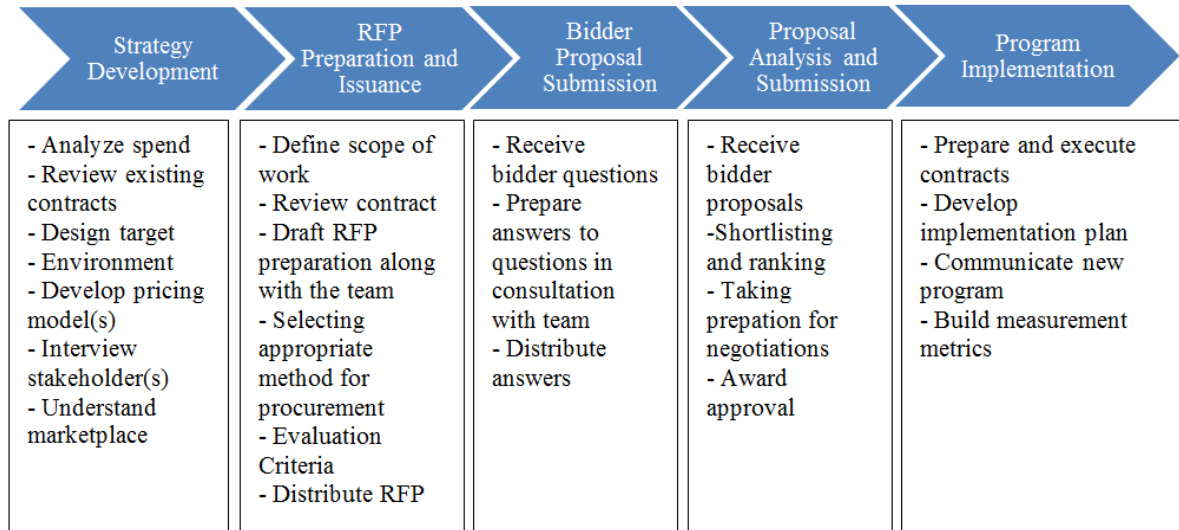


Figure 17: Steps of Strategic Procurement

Reviewing, identifying lessons learned, and share learning for future procurement can be effective strategy as well. According to Clement et al (2011), a flexible approach maintaining sustainable procurement has some steps which are described in the following chart. For IDCOL, this can be an effective way of procurement management too:

Phases	Description of Phases	Steps	Description of steps
<i>Phase-1</i>	Preparation	Step-1: Identifying product groups	Under this step, the product group (goods, works or services) is to be analyzed.
		Step-2: Setting up a project team	Apportioning people based on skills and knowledge (technical, financial, legal, procurement, project management, etc.)
<i>Phase-2</i>	Early Market Engagement	Step-3: Defining your needs	Defining specification as per the necessity. Involvement of all stakeholders is required. An initial market research can be done at this stage.
		Step-4: Informing the market	Communicating functional requirements and performance targets clearly to the possible companies, holding information seminars or discussion meetings.
		Step-5: Engaging the market	Engaging right people, consult before going for tendering phase. This stage requires early supplier involvement.
<i>Phase-3</i>	Tendering and Contracting	Step-6: Tendering and contracting	Prepare final specification, tender documents, outline verification requirements, way of measuring total lifecycle costs, formulate contract clauses cautiously, etc.
		Step-7: Tendering for complex projects	Wider solicitation, ensuring transparency, equal treatment and fairness, preparing contract documents with special attention to the project objectives.

Figure 18: Steps for Effective Procurement Management

The phase-1 and phase-2 of the above chart need to be completed with comprehensive and careful analysis so that there comes less obstacles during the third phase. A detailed flowchart like below can also be beneficial for the procurement department of IDCOL:

Steps	Names	Descriptions
Step-1	<i>Documented Analysis</i>	<p>a) At the time of project planning, collecting statement of needs and linking the needs with the strategic outcomes & project/business objectives can be completed;</p> <p>b) As part of this step, a study on market and operating environment, project lifecycle, and costs-benefits-risks analysis can be done.</p>
Step-2	<i>Approvals</i>	<p>a) An estimated procurement plan can be prepared for financial approval and proceeding to approach the market.</p>
Step-3	<i>Identify needs (purpose, beneficiaries)</i>	<p>a) Consulting with stakeholders should be completed in order to assess perspectives, needs, concerns, challenges, opportunities and risks. Different departments have different concerns, for example, environment department has strong focus on environmental sustainability of procurement and can suggest strategic environmental assessment. Technical department may require some specific suggestion. Also, the law department may have a strong observation on any specific procurement. IDCOL has partner organizations and enlisted suppliers under different programs. Before conducting any technical audit, environmental audit or procurement audit, IDCOL may consult with them. Also, identifying need from partner organizations or compliance need from regulatory bodies can help IDCOL assess procurement needs more. So, a proper coordinated approach is required at this stage. Tools like SWOT analysis, PESTEL, Porter's Five Forces, Power & Dependency matrix can be done. While preparing specification, objectives need to be SMARTER (specific, measurable, achievable, relevant, time-bound, ethical and recorded).</p>
Step-4	<i>Review previous procurements</i>	<p>a) IDCOL can use its learning curve to develop its procurement capacity. Previous procurement review, users' feedback, etc. can help IDCOL measure the quality of procurement and management efficiency. Also, measuring suppliers' performance and contract management performance can help IDCOL plan and forecast better.</p>
Step-5	<i>Supply positioning</i>	<p>a) IDCOL can scan operating environment, including current and future policy considerations of its development partners, identify sustainability opportunities/issues.</p>
Step-6	<i>Analyze the market</i>	<p>a) Although IDCOL is a financing institution, it can engage with the market and suppliers to review market. Moreover, it can identify and analyze technical consultants or suppliers and maintain relationship with them. Since IDCOL conducts national and international biddings, IDCOL can study on pricing methodology and factors influencing price, market trends, regional differences, degree of technological developments in the market, etc.</p>
Step-7	<i>Analyze market behaviors</i>	<p>a) IDCOL can review suppliers/consultants in the market, identify and analyze current market behavior's and implications for the buyer, future market behaviors that would better support successful delivery, the gaps between current and future market behaviors, strategies to close the gap and the preferred option, determine how suppliers view IDCOL's business. IDCOL can assess this by using 'Supplier Preferencing Matrix'. This will help IDCOL understand the attitude of suppliers/consultants towards IDCOL more.</p>

Steps	Names	Descriptions
Step-8	<i>Solutions identification and options appraisal</i>	a) IDCOL can identify what is ‘in scope’ and what is ‘out of scope’, identify what ‘success’ looks like and define ‘fit for purpose’, identify different approaches to meeting the needs, identify the range of solutions that are available to meet the needs, undertake a solutions appraisal against criteria to identify the preferred solution, determine the desired type of relationship with supplier (collaborative - competitive).
Step-9	<i>Approach to market options</i>	a) IDCOL can attempt for identifying applicable government procurement policy (e.g. PPA, PPR, procurement guidelines of development partners) and IDCOL’s own requirements and analyze options for approaches to market to identify strategy.

Figure 19: A Procurement Flowchart (with details) for Procurement Management

6.2.2 Developing Automation or E-Procurement System:

Electronic way of procurement management can be introduced provided this step does not cause any conflict with the existing requirement of development partners. Since electronic procurement is maintained through a confidential database, implementation of this portal can be an effective and dependable tool for procurement. Too much documentation and paper-based work is risky and more prone to physical damage or loss. A Management Information System (MIS) or well-organized database can help IDCOL manage its procurement in more efficient way. Bangladesh Bank has already instructed banking and non-banking financial institutions to implement e-tendering process. So, developing automation or e-procurement system can be considered with importance. This is also relevant that the field of procurement of Bangladesh is gradually adopting digital platform, and developing own capacity is becoming necessary for the organizations.

6.2.3 Updating procurement rules and practices:

Updated and modern rules need to be added in procurement policies. Practices like Just in Time (JIT), six sigma, lean and agile supply, total quality management, supplier development, cost leadership and differentiated focuses which help in ensuring sustainable procurement processes can be incorporated in public procurement management. Traditional government procurement mindset can be replaced by performance-based holistic approach. IDCOL’s own procurement policy can be reviewed and updated at regular intervals taking comments and observations from all sorts of stakeholders. After collecting feedback from implementing agencies and relevant stakeholders, the guidelines of development partners can go through regular update as well. Inclusion of some flexible procurement methods are required to allow quick procurement processing. Notably, the NPF of World Bank is much flexible, and as

experts comment, NPF may bring positive results for IDCOL provided implemented efficiently.

6.2.4 Determining procurement strategy and vision from different perspectives:

A balanced scorecard model following the model of Kaplan (2010) like below can be followed to measure the performance of the procurement of IDCOL:

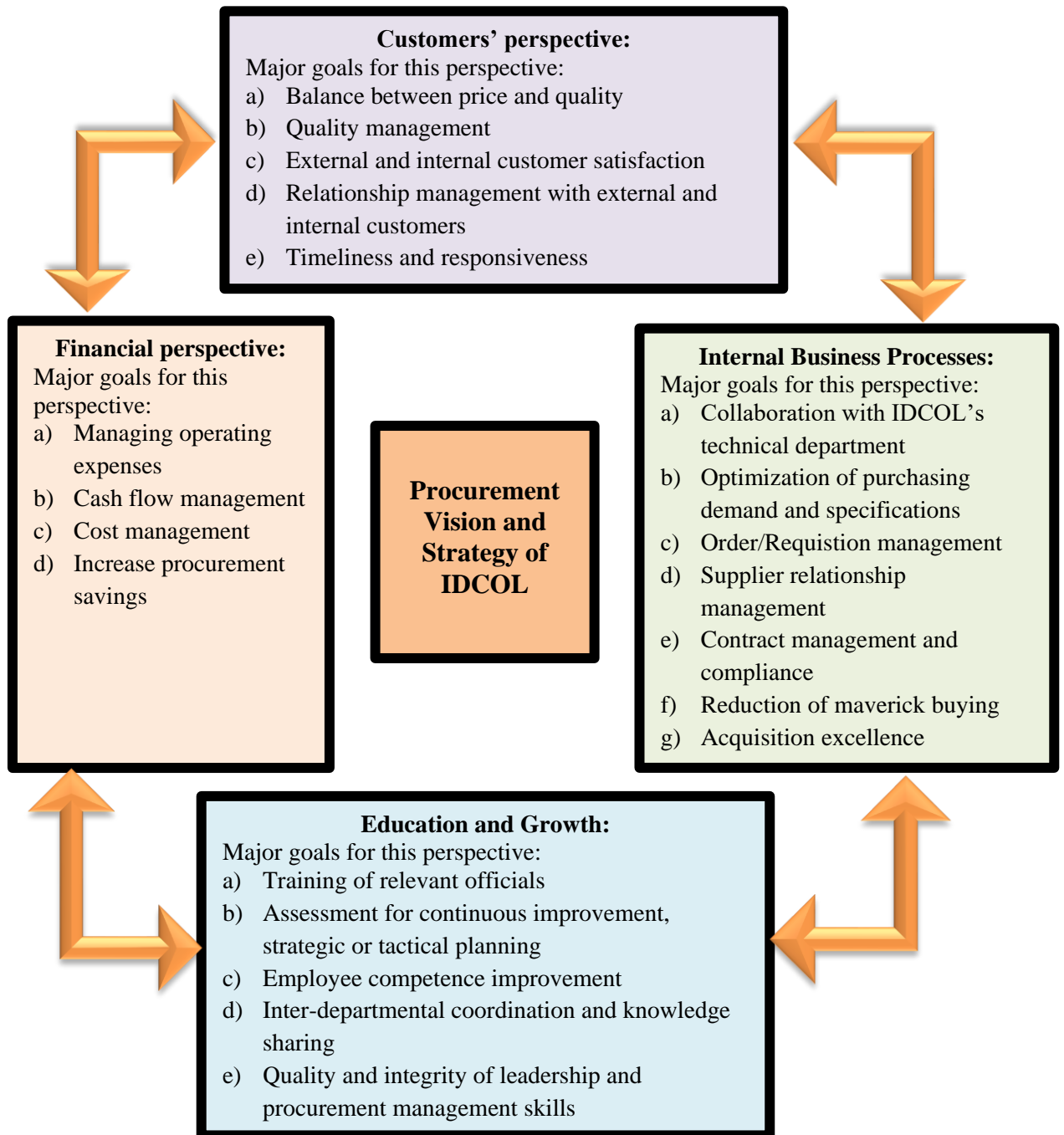


Figure 20: Balance Scorecard of IDCOL's Procurement

Performance measurement is an important component of strategic procurement as this helps organizations continuously improve their conditions. From the figure above, this is seen that

IDCOL can measure the performance of procurement from financial and non-financial perspectives. Moreover, this measurement may help IDCOL get a comprehensive view of current condition and set future strategies to utilize strengths and opportunities.

6.2.5 Creating Supplier Base and Supplier Relationship Management:

Schiele (2007) comments, “How do buyers and suppliers become better acquainted with each other? A strong tool for creating similarities and adjusted systems is supplier development.” In private sector, supplier relationship and development is much popular idea, but in order to implement strategic approach in public sector, supplier relationship management can be considered with more importance as well. Buyers need to be able to manage relationships with all suppliers. In order to do this, these things below can be emphasized:

- a) Comprehending suppliers’ view of the relationship (supplier preferencing);
- b) Having strategy of managing suppliers where there is little or no competition;
- c) Establishing supplier development as well as optimization process;
- d) Identify initiatives to improve performance of suppliers and minimising risk;
- e) Ability to establish effective interfaces with the suppliers management team;
- f) Identify important suppliers and develop strategic ‘touch points’.

IDCOL has its own supplier qualification database for its SHS program, but this can be practiced for the other programs and portfolios as well. The quality of the supplier relationship can be strengthened and enhanced through a combination of practices, these include: a) ensuring the supplier fully understands the contractual commitments and how they will be delivered, including the sustainability priorities, b) agreeing a contract that has a fair balance of risk between the procurer and the supplier, c) agreeing procedures (e.g. base-contracts, protection of intellectual property) and conditions (e.g.: prompt payments) that generate a better conditions for all relevant stakeholders, d) ensure that suppliers, who have fully delivered, are paid within due time as per the contractual terms and legal requirements, e) improve issues resolution through fair, transparent, professional and timely dialog, etc.

Gap analysis of current state can be done. Set, implement and measure the strategies adopted. IDCOL needs to have a proper enlisted supplier base. This will help IDCOL maintain a strong and stable relationship with its enlisted suppliers. IDCOL can annually measure the performance of the enlisted suppliers and optimize the suppliers’ base as needed. Procurement must be conducted with probity in mind, to enable purchasers and suppliers to deal with each

other on the basis of mutual trust and respect, and enable business to be conducted with integrity. Probity principles should be integrated into all procurement planning, and not treated as a separate ‘add-on’.

In connection with the suggestion of PPSD form, a supply preferencing matrix can be an effective tool to understand the suppliers and the position of IDCOL to suppliers. The matrix from IDCOL’s perspective is like below which shows IDCOL’s positions to its bidders:

Attractiveness of Account	High	Development: To the vendors of energy efficient products, and energy efficient consultants (Since IDCOL is going to invest in its energy efficiency portfolio soon)	Core: To the vendors of SHS Equipment, ICS equipment, irrigation testing equipment, office equipment, etc. Consultants specialized in the field of Solar technologies, agriculture, etc.
	Low	Nuisance: To creative firms (since IDCOL does not go for promotional campaign much)	Exploitable: Since IDCOL is currently decreasing its investment in SHS portfolio, the equipment vendors in this field can be considered in this category
		Low	High
Revenue/Value of Account			

Figure 21: An Illustrative Supplier Preferencing Matrix of IDCOL

IDCOL can regularly review its procurement strategies, experiences, possible opportunities and risks, and the lessons learned as a part of continuous improvement. IDCOL can ensure these six important steps in order to maintain a strong supplier relationship: a) Supplier identification, b) supplier segmentation, c) Relationship analysis, d) Relationship management, and e) Evaluation. Strategic procurement can involve high-level strategic thinking and business planning, and dealing with individual acquisitions. IDCOL needs regular team meeting in order to ensure coordination among its different units so that procurement expenditure can maintain a proper balance with other sources of expenditure.

IDCOL can put more emphasis on building a good supplier relationship management with suppliers. This can be done with a view to creating a long-lasting relationship based on a win-win situation where IDCOL may be benefitted from crucial information about the market and innovation. Also, in case of emergency requirement, this type of relationship can be beneficial. IDCOL can have an enlisted supplier base of its own. IDCOL already has a supplier development approach. In case of fiberglass bio-digester procurement under IDCOL biogas program financed by ADB, IDCOL trained three suppliers in fiberglass manufacturing and after that these suppliers became an important part of IDCOL biogas program. Also, for ICS department, a local manufacturer has been trained for making ICS moulds and this has

made a positive impact in capacity enhancement of local market along with lessening dependence on international market. Notably, sourcing the ICS from international market would have been costlier than sourcing this from local market. Also, this step has saved IDCOL's time for searching right suppliers every time it needs the product. Also, different suggestions from suppliers can act as added value here.

In order to make innovative products, developing suppliers is a very effective approach. Since IDCOL works extensively in renewable energy sector in Bangladesh, it can focus more on finding potential suppliers who can be part of IDCOL's programs and develop them. If implemented maintaining applicable rules and regulations, this collaboration can help IDCOL in long run. Under long-term framework contract, IDCOL can maintain win-win relationship with right suppliers.

6.2.6 Identifying Risks and Benefits and Existing Market:

Assessing risk is an important part of strategic sourcing efforts. IDCOL can follow a strategic tool – decision chart to understand risks and benefits and market condition. With reference to The World Bank on Sustainable Procurement (2016) document, a decision chart like below can be used:

Elements	Key Questions	Supporting Questions
Organizational need	- How important is this issue to IDCOL?	- Are there specific targets or set of objectives set by the government or financiers? (for example, reducing carbon emission, promoting renewable sources of energy and power, green financing, enabling rural people more, etc.) - Does IDCOL have its own specific targets or objectives? (for example, improving energy efficiency project or increasing market share of any certain portfolio) - Do the procurement requirements lead to increased sustainability impacts and can they be changed to minimize these impacts? (for example, ensuring environment-friendly products to the ultimate beneficiaries or environmental audit on suppliers)
Risks and opportunities	- What scope is there to improve? - What is the balance between cost and benefit?	- From the PPSD, what are the major components in the project? - What are the major sustainability risks and opportunities related to the specific project/goods/services? (this can be geographical, environmental or social) - What plans can be put in place to mitigate these risks and/or seize the opportunities? (for example, battery recycling capacity under IDCOL SHS program. IDCOL can even consider performance-based specification in lieu of conformance-based specification)
Market analysis	- Will the market be able to respond to this issue?	- What is the capability of the market to address risks/opportunities and to meet project needs? (this includes that the existing suppliers in the country will have to be able to meet the sustainability requirements,

Elements	Key Questions	Supporting Questions
	- Who is the best placed to manage the sustainability risk or opportunity?	<p>otherwise the local suppliers will not be able to participate in different biddings. Some certification can be difficult to achieve for geographical barriers)</p> <p>- Is there a need to build capabilities at existing suppliers or find new suppliers? (In order to build a good supplier base, IDCOL can assess whether any good training for suppliers can develop its suppliers base. IDCOL already arranges this type of training)</p>

Figure 22: Sustainable Procurement Decision Chart

6.2.7 Coordination between different departments of the organization:

According to Sharif-ul-Alam & Gonzales (2016), “Purchasing’s strategy is fully integrated into the firm’s competitive strategy and constitutes part of an integrated effort among functional peers to formulate and implement a strategic plan”. In order to practice strategic procurement, strategic involvement in personnel is essential. This is also necessary to ensure a proper coordination and relationship between procurement department and relevant business units of IDCOL before initiating tendering process. According to Maddi, Davis, & Geraghty (2016), “This relationship should be based on the scientific grounds and clarity, and accurately determined. All departments’ employees should be away from bias because they are working for their organization goals that organization is seeking.”

During the initial planning stages of the procurement, IDCOL can establish a cross-disciplinary project team. The size and composition of the teams will depend on the nature, scope, value, level of risk and complexity of every procurement assignment. The team must possess an appropriate mix of skills and experience to provide representation across key areas such as technical and functional specializations as well as policy expertise and knowledge of business or operational requirements. The team composition may include, for example: subject matter technical expert, procurement specialist, financial expert, legal advisor, etc. Permanent lines of communication need to be established with other functional areas. Monthly review meeting between procurement team and business units can be very effective because when all the relevant team members are in touch they will feel more aware of needs, values, risks and benefits.

Regarding the tendering process, a proper coordination is required to address sustainability factors or prepare the assessing criteria of lifecycle costs. In order to assess lifecycle costs of products offered by bidders, the analytical tool like below can be used for making comparison and effective evaluation, and reach decision:

SI	General Information Input	Information	
1	Tender ID		
2	IDCOL's location		
3	Planning horizon (duration of life of the product required)		
4	Number of units to be purchased		
5	CO ₂ emission factors (Oil, gas, and electricity)		
6	Product Information	Vendor A's Offer	Vendor B's Offer
7	Lifespan offered		
8	<i>Lifecycle costing information input</i>		
9	Discount rate		
10	Inflation rate		
11	Acquisition costs		
12	Purchase price		
13	Installment costs		
14	Initial one-off costs		
15	Operating costs		
16	Total operating costs per year		
17	Energy source		
18	Energy unit (emission factor)		
19	Specific operation mode (full/half power)		
20	Costs of energy source per unit		
21	Price increase rate		
22	Reference operational unit		
23	Maintenance costs		
24	Total maintenance costs per year		
25	Annual taxes/fees/other costs		
26	Remnant value or End of life costs		
27	Total cost in present net value		
28	Average annual costs per offer		

Figure 23: Lifecycle Cost Assessment Chart

In order to adopt strategic procurement, the “Island-like Procurement approach” must be replaced by the “Procurement Function” approach. Communication as well as data exchange between different functional units can be more improved. In order to control the relationship between procurement management and other departments in the organization, some things need to be considered:

- a) Procurement department is assigned to provide goods, works, and services as per the requirement of other departments which is related to the organizational objectives and mission. So, the impact of procurement department impacts upon the other departments and their activities as well.
- b) In order to complete planning and decision making phase, information and data exchange among all the departments should be good and an integrated IT system (for example, MIS, common database, ERP) can be effective.

6.2.8 Necessity of preparing procurement plan at right time:

SMART (Specific, Measurable, Attainable, Realistic, and Time-bound) approach while making plan is being followed in different developed organizations. This can be followed in IDCOL too. In order to implement changes, the role of top level of the organization is really needed. Any change can disrupt the familiarity of employees, and the necessity of relearning can upset them. This can be an effective way to keep employees updated with plans and implementation progress. Arranging meeting, brainstorming sessions at the planning phase can be beneficial too.

According to Reck & Long (1998), the procurement cycle involves these three stages below:

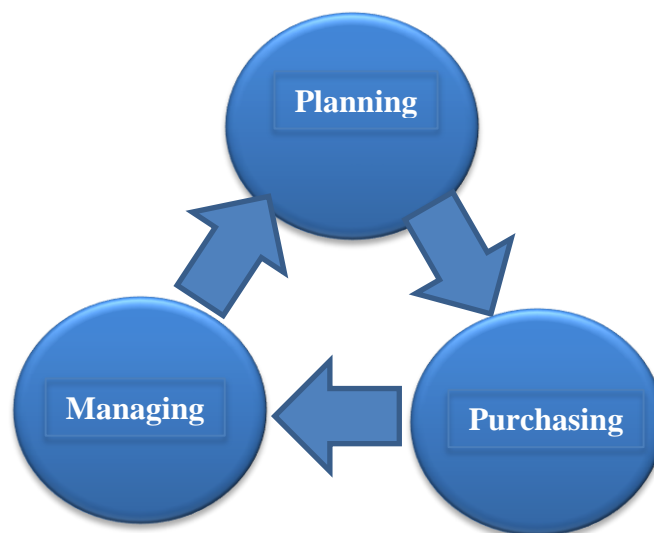


Figure 24: The Procurement Cycle

The cycle above shows that all the three phases are important and inter-dependent. So, preparing procurement plan at the onset of any project should be given more emphasis because it has effects on the other phases of the cycle as well. According to Sharif-ul-Alam & Gonzales (2016), “Some departments of the organizations most often place their requests for goods and services on the eleventh hour. Some of the requesting departments submit their procurement requisition within a limited time even if there is a policy within the company to give lead time for the procurement department for purchase requests, particularly hard-to-find supplies and goods. Planning for procurement is considered a very important aspect of an effective procurement system.” According to experts, the traditional approach of “preparing budget with an increment of x % and planning later what to buy” needs to be replaced by “Strategic Procurement Planning” where procurement necessities is subject to determine through an integration of all functional units and based on organizational objectives, goals and

procurement action plans with attention to organization’s business strategy. The use of management tools like the Annual Procurement Plan, the Provisioning (stock-holding management) Model and the Formulation of Procurement Strategies will be effective.

A proper estimate is needed for allocating fund at the beginning and expenditure management during the project. To enhance efficiency of public expenditure management, this needs to prepare budget implementation plans and procurement plans under the budgetary framework. This is also required to prepare a supply positioning at the beginning of any project. For example, an illustrative supply positioning is as follows:

Buyer’s priority	Description	Approach	Arrangement
Strategic Security: Security of supply	<ul style="list-style-type: none"> - Low-cost goods/services - Strategically important - Shortage of reliable suppliers - Example: IT component like server of any specific brand where compatibility is a key issue. 	Ensure supply	<ul style="list-style-type: none"> - Long term contracts - Build reserve of stock - Consider alternative products - For procurement of these items, IDCOL usually can go for service level agreement with suppliers
Strategic Critical: Security of supply at a good price	<ul style="list-style-type: none"> - High costs specialist goods/services - Limited number of suppliers - Example: Specialized experienced specialists who are usually rare in any field 	Manage suppliers	<ul style="list-style-type: none"> - Contingency planning - For this type of procurement, IDCOL can usually adopt a medium or long-term contract so that frequent services can be received.
Tactical Acquisition: Purchasing efficiency	<ul style="list-style-type: none"> - Routine purchases - Low-value/low-risk goods/services - Many potential suppliers - Example: stationery or regular consumables for office 	Minimal attention	<ul style="list-style-type: none"> - One-off contracts/purchase orders - E-purchasing - For this type of procurement, open bidding can be a good solution
Tactical Profit: Improving profit by costs savings	<ul style="list-style-type: none"> - High-cost/low-risk goods/services - Many potential suppliers - Example: IT equipment like desktops, printers, etc. 	Drive savings	<ul style="list-style-type: none"> - Short-term contracts - Ongoing active sourcing for competitive price - Open bidding can here be an effective solution

Figure 25: An Illustrative Supply Positioning Matrix for IDCOL

As per the figure above, the connection between buyer’s priority and approach has been described. When security of supply is main issue, buyers will try to ensure the supply through long-term contracts, considering alternative products, or going for a service level agreement. When ensuring good price along with security of supply becomes a necessity, managing suppliers becomes a major concern, and in order to do this, buyers can keep contingency planning or go for any long-term and mid-term contract. For routine purchases, one-off contract is sufficient. For tactical profit when both profit and cost savings are main concern, buyers focus on competitive bidding and cost-effective procurement.

As Sig Webiner (2013) suggested, in present context, a framework like below can be followed where strategy preparation has got importance to transform inputs into outputs:

Inputs	Business Unit Data: <ul style="list-style-type: none"> • Strategy plans of project • Budgets 	Market/Economic Data: <ul style="list-style-type: none"> • Regional Economic Forecasts • Major Commodity Indices • Category • Market Intelligence 	Corporate Financial Data: <ul style="list-style-type: none"> • Cash Flow Projections • Tax Treatments • Growth Projections • Cost of Capital
Strategy	Procurement Strategy (for example, PPSD preparation) - Category Strategies - Operational Strategies		
Outputs	Spend Forecast Data: <ul style="list-style-type: none"> • Cash Flow • Savings Forecasts • Demand Forecast 	Operations: <ul style="list-style-type: none"> • Cost of Procurement • Efficiency Metrics • Quality & Service Metric 	Earnings / Budget Impact: <ul style="list-style-type: none"> • Capital • Operation & Maintenance

Figure 26: Procurement Strategy Coordination Framework

As the framework above suggests, the strategies also include operational considerations in order to prepare a roadmap to reach organizational objectives. The figure above also shows that different units and thinktanks of an organization are not different, rather from strategic perspective, an all-inclusive strategic approach can put benefit an organization.

6.2.9 Capacity development and talent management:

Strategic procurement has a major dependency: it needs qualified staff and strong coordination among different functional units. Experts comment, it was once when less qualified people were assigned for the procurement department but recently that way of thinking has changed. Since procurement itself has become much technical, recruiting qualified people in procurement department nowadays has become a necessity of time. This has also become important to improve the quality and ability of procurement staff. According to Srinivasan (2016), a strategic procurement professional needs to be:

- a) **Functional expert:** he/she needs to have knowledge of processes and products;
- b) **Influencer:** he/she needs to build relationships, effectively present arguments;
- c) **Results seeker:** he/she needs to meet deadlines, identify actions, achieve goals;
- d) **Innovator:** he/she needs to think creatively, anticipate changes, and produce solutions;
- e) **Adaptor:** he/she needs to stay calm under pressure and handle criticism well;
- f) **Complier:** he/she needs to follow procedures and encourages others to as well.

Procurement personnel cannot stay being mere procurement clerks in future rather they will need to be able to do the duties below:

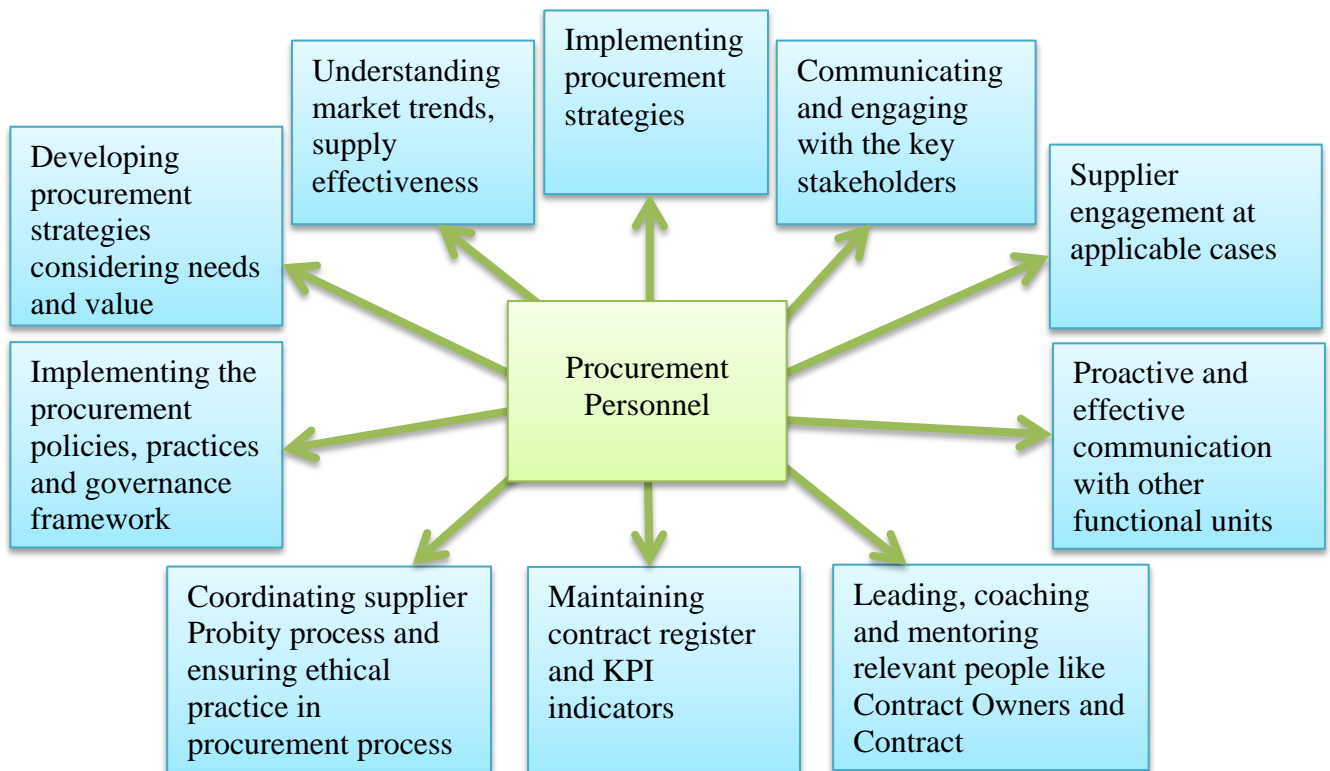


Figure 27: Responsibilities of Strategic Procurement Personnel

As the figure above suggests, a procurement personnel will have to do many tasks in future. They need to think more comprehensively from the perspective of own department and the whole organization. So, recognizing the task of procurement as an important and integral part of any project or organization will be needed indeed to make strategic procurement successful in Bangladesh. Notably, Bhutan has been awarded South Asia Procurement Innovation Awards-2017 for implementing the Procurement Cadre in Bhutan Public Procurement Policy Division (PPPD). Following this example, in Bangladesh Civil Service, procurement cadre can be created by creating procurement positions within the civil service at various hierarchical levels.

Any reform requires time and determined effort. When new approved rules and regulations are applied, relevant people take time to absorb. The faster the absorption rate, the better the output becomes. Schiele (2007) describes ‘minimum maturity point’ as per the figure below:

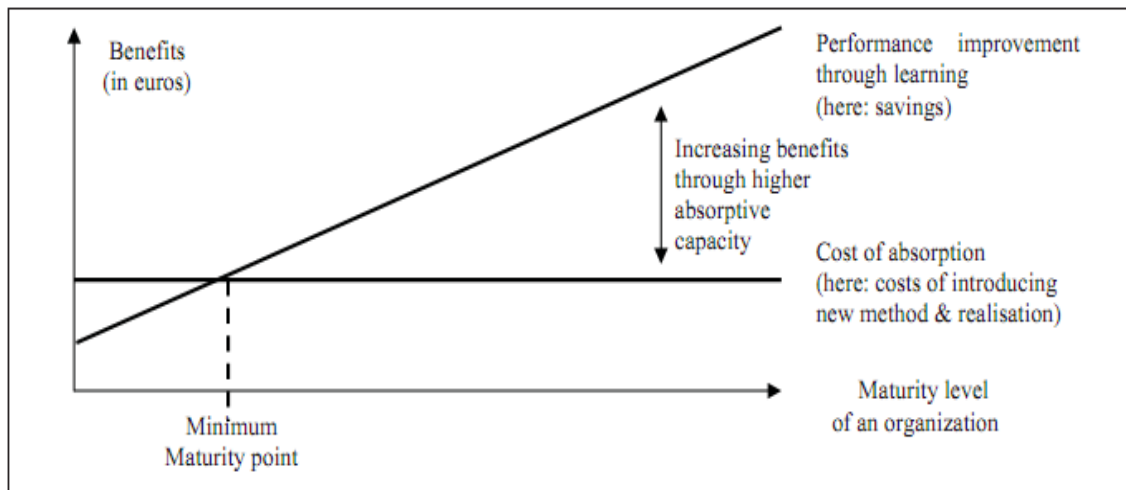


Figure 28: Minimum Maturity Point of Procurement

As per the figure above, the minimum maturity point is the maturity level at which any organization starts making profit from any new knowledge. Also, there seems to have a positive relationship between the maturity of the procurement function and its absorptive capacity. From the current situation, IDCOL may now focus more on absorbing new method and building capacity accordingly. Capacity enhancement will enable IDCOL more to minimize its future cost of absorption (introduction of new methods and realization). Besides, IDCOL can also focus on inventory control and contract management. ‘Improving performance through learning’ can be effective strategy for IDCOL’s continuous improvement. Since IDCOL has a learning curve of procuring under guidelines of development partners, it can use its ‘purchasing absorptive capacity’ and help it be more prepared for future. According to Belasco (1991), “A change process should follow the stages like building a sense of urgency (without destroying employee self-confidence), creating a clear tomorrow, developing a migration path, and reinforcing the new behavior”. While implementing any change management process, organizations need to stay goal-oriented and caring to the process of management. Also, linking professional development with strategic elements of IDCOL’s competitive strategy can be considered with more importance.

In order to help implementing agencies under different projects, more information session and hands-on training should be arranged by The World Bank where staff of all units will join and understand the purpose and implementation strategies of this new approach. Since procurement department has been being considered to be an administrative or clerical task for a long time, it is difficult to change the mindset of people overnight to the new strategic approach of procurement. If other business units (who usually focus on business development or expanding market) are not informed properly, they may have an erroneous perception

about NPF and this can generate communication problems with procurement department. Also, this improvement of coordination will eventually help procurement department work more collaboratively with others. This is definitely important that procurement department will understand the limitation and necessity of the business units and the business units will understand the same of the procurement department. This internal cross-functional relationship, under this new framework, must be stronger than before. There may have cross-functional training of procurement professionals.

The finance and accounts department needs to be well-trained in NPF since they can play the role of real-time auditor before arranging payment. In sum, a coordinated approach is vital for making NPF truly an effective strategy in an organization. This is also to be noted here that proper arrangement should be maintained so that the external and internal auditors are also introduced with this new framework which is different in some places from PPA (2006) and PPR (2008). IDCOL should utilize its lessons learned from any project in order to achieve better process/ delivery/ outcomes in future assignments. IDCOL officials can be trained more in negotiation and project management since in future days the representatives of procuring entity will have to sit with bidders under NPF guidelines. IDCOL can arrange training sessions for its enlisted suppliers to introduce them with the new procurement policies. There are some suppliers who work efficiently but do not know the rules and regulations of procurement. It will be convenient for them to participate in bidding activities if they are trained in procurement rules.

6.3 Conclusion

This is a fact that public procurement cannot be considered a neglected area of research and education anymore. In order to make procurement strategic and business-centric, this is necessary for an organization to build strong relationships with innovative solutions and make the procurement operations more strategic with a view to ensuring cost-effective outcome. NPF offers greater flexibility and ownership for borrowers incorporating socio-environmental issues in procurement management which, as per the experts, a progressive idea. In future, there may generate the necessity of updating and bringing modification based on implementation challenges of this new policy.

As a thriving organization, IDCOL may face more diversity in future and the organization may have to do larger and more complex procurement tasks, and as relevant, IDCOL's

procurement budget may increase then. The study revealed that IDCOL has already an existing capacity in procurement management. But, enhancing capacity of procurement from now will be a positive as well as pro-active approach. In order to adopt strategic procurement approach in its regular procurement activities, IDCOL needs to put emphasis on some factors which are discussed in the paper. Since future procurement management will be more technical and complex in nature, IDCOL can focus more on building a proper capacity development and talent management process.

A planned approach of any cost-effective procurement is related with the procurement schedule, available budget, associated risks and possible opportunities, etc. Supplier relationship management in order to maximize value and minimize risks is also a relevant part here. Strategic procurement demands integration, value (instead of cost), strategic (instead of operational), centralization, and proactive (instead of reactive) approach. IDCOL therefore can focus on these components in its way of getting prepared for absorbing the future approach of strategic procurement.

In order to get a comprehensive view of public procurement sector of Bangladesh, further research can be done. This paper has focused mainly on a state-owned financial institution, but in order to get a comprehensive view on the impact of NPF and strategic procurement approach, the public procurement management and practices of other public departments (for example, Public Works Department, Department of Public Health Engineering, Local Government Engineering Department, etc.) can be studied, and feedback from the stakeholders of those departments can be collected and analyzed. Also, as relevant, representatives of the development partners can be interviewed in order to know the strategic roadmaps of the development partners. This is a fact that, conducting wider survey among more number of bidders and buyers' officials, and interviewing more procurement experts would increase the chance of getting exact and more comprehensive representation of the implementation challenges of strategic procurement in public sector of Bangladesh.

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CHAPTER 8: APPENDICES

Appendix A: Questionnaire for Expert Interview

A. Public Procurement and Strategic Procurement in Bangladesh:

1. What is your opinion about the current condition of public procurement and contract management in Bangladesh?
2. Do you think that strategic procurement is congruous with current public procurement?
3. If introduced, which impact can the strategic procurement create in public procurement of Bangladesh?

B. Challenges of Strategic Procurement and NPF:

1. What can be the implementation problems of introducing strategic procurement policy and New Procurement Framework of The World Bank?
2. What are the reasons behind these implementation problems?
3. Do you think that public enterprises have sufficient resources and management capacity to adopt this new policy? If they have no sufficient capacity and resources, how can they improve this?
4. NPF recommends engaging independent Probity Assurance Providers when applicable. What is your opinion here?

C. Remedies of Possible Challenges:

1. What remedies can you suggest to deal with issues around strategic procurement policy?
2. How can e-GP be integrated with this new policy?
3. Is there any possibility of bringing any major change in e-GP process of Bangladesh?

D. Future of Strategic Procurement:

1. Strategic Procurement is more of a thing of private sector – to what extent do you think so?
2. How can strategic procurement create impact on overall strategy of any development project?
3. “Achieving value for money with integrity in delivering sustainable development”- to what extent do you think these three points are related with regular public procurement process?
4. The World Bank has introduced NPF. Do you think the other development partners will follow this approach?
5. Do you think PPR should adopt strategic procurement policies? Please explain.
6. How can efficient implementation of strategic procurement policy bring positive results for future Bangladesh?

Appendix B: Questionnaire for Employees of IDCOL

Your Designation:

1. Are you aware of the Public Procurement Acts 2006 and Public Procurement Rules 2008 of Bangladesh?
 Yes
 No
2. Are you aware of the Procurement Guidelines under different development partners? :
 No
 I have only heard about them
 I am much familiar with the guidelines
 I am trained on the guidelines
3. Are you aware of the New Procurement Framework suggested by The World Bank? :
 No
 I have only heard about them
 I am much familiar with the guidelines
 I am trained on the guidelines
4. Have you completed any training on public procurement?
 Yes
 No
 If yes, which one: _____
5. You think that public procurement processes can ensure (you can give tick (√) mark on more than one option):
 Economy
 Efficiency
 Transparency
 Timeliness
 Value for money
 All of above
6. Which problems do you find about public procurement (you can give tick (√) mark on more than one option):
 Delay in process
 Excess documentation process
 Bureaucratic approach
 There is no problem
 Others _____

For each of the questions below (8-13), please give tick marks on any option on right:		Not Agree	Somewhat agree	Neutral	Agree	Strongly agree
7.	Procurement practices need to be designed in accordance with the needs of the stakeholders	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
8.	Procurement is not a matter to be taken so seriously, rather this is less important than other issues of an organization	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
9.	Keeping budget for enhancing procurement capacity is a waste.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
10.	Keeping purchasing objectives in line with strategic objectives is of considerable importance	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
11.	Functions of procurement has strategic importance for organizations	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
12.	Increase in the supplier collaboration results in increase in organizational efficiency	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
13.	Under NPF, the 'most advantageous bid' will be awarded which was previously 'lowest evaluated bid'. This step will ensure better value for money.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
14.	Procurement management should be via electronic media	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

15. New Procurement Framework (NPF) supports market engagement, competitive dialogue and clarification meetings during procurement. Do you think this is an effective step? :

- Yes
- No
- Please describe the reason: _____

16. NPF has introduced a 'standstill period' under which a procuring entity will have to issue Notification of Intention to Award to the participants before issuing NOA. What do you think about this?

- This is an effective step
- This may create complicity
- No comments
- Others: _____

17. Why is electronic media in procurement preferable? (you can give tick (√) mark on more than one option):

- Less dependency on documentation
- Increased efficiency
- Increase information and data security
- Time-saving
- Transparency
- No corruption, violence, etc.
- Others _____

18. What kind of relationship should be between borrower and the development partners (you can give tick (√) mark on more than one option):
- Collaborative
 - Strategic
 - Adversarial
 - Transactional
 - Any comments : _____
19. What do you think can be the major challenges to deal with NPF (you can give tick (√) mark on more than one option):
- There are no challenges
 - It requires training so that users understand it more
 - It requires continuous assistance from the Bank staff
 - World Bank should adopt the approach of training rather than penalizing
 - It needs more capacity in procurement department
 - This new system will require more time and effort
 - Coping up with new system will require time
 - A proper change management system is required
 - Others _____
20. For more efficient handling of procurement, organizations can (you can give tick (√) mark on more than one option):
- Arrange more training (both national and international) on procurement
 - Increase human resources in this sector
 - Develop software for continuous surveillance
 - Increase integration between finance department and procurement department
 - Emphasize more on annual plan in connection with procurement
 - Others, if any: _____
21. Which one should receive more emphasis in strategic procurement? (you can give tick (√) mark on more than one option):
- Environmental analysis
 - Industry analysis
 - Competitor analysis
 - Critical success factor analysis
 - Supply, demand and capacity forecasting
 - Vendor analysis
 - Supply market analysis
 - Others, if any: _____

22. Do you feel that an organized public procurement can inspire development partners and foreign investors more to invest in Bangladesh?

Yes

No

23. Misprocurement leads to (you can give tick (✓) mark on more than one option):

Acquisition of poor quality of goods, works and services

Lack of public confidence

Deterioration of investment

Others, if any: _____

24. Suggestions, if any, to improve procurement condition of your organization:

.....

.....

25. Comment, if others, regarding future of public procurement in Bangladesh:

.....

.....

Appendix C: Questionnaire for Suppliers/ Contractors/ Consultants

(Since the suppliers/contractors/consultants are Bangladeshi, this questionnaire is both in English and in Bengali)

নাম (Name): _____

বয়স (Age): _____ পেশাগত অভিজ্ঞতা (Work Experience): _____

প্রতিষ্ঠানের নাম (Name of Organization): _____

প্রতিষ্ঠানের ধরণ (Type of Organization): _____

১। আপনার কাজের ধরণ(আপনি একাধিক বক্সে টিক (✓) দিতে পারেন) [Type of your work (you can give tick (✓) mark on more than one option)]:

- সরবরাহকারি (Supplier)
- ঠিকাদার (Contractor)
- পরামর্শক (Consultant)
- অন্যান্য (Others) _____

২। আপনি কি পাবলিক প্রকিউরমেন্ট নীতিমালার অধীন প্রকিউরমেন্টে অংশগ্রহণ করেন? (Do you participate in biddings under Bangladesh Public Procurement Rules?):

- হ্যাঁ (Yes)
- না (No)

যদি আপনার প্রশ্নের উত্তর হ্যাঁ হয় তবে নিচের প্রশ্নগুলোর উত্তর দিন (If your answer is 'Yes', please answer to the questions below):

৩। আপনি কি পাবলিক প্রকিউরমেন্ট আইন ২০০৬ এবং পাবলিক প্রকিউরমেন্ট বিধিমালা ২০০৮ সম্পর্কে জানেন? (Do you know about Public Procurement Act 2006 and Public Procurement Rules 2008)?

- হ্যাঁ (Yes)
- না (No)

৪। আপনি কি বিশ্বব্যাংক এর নতুন প্রকিউরমেন্ট ফ্রেমওয়ার্ক সম্পর্কে জানেন? (Do you know about New Procurement Framework of The World Bank)?

- হ্যাঁ (Yes)
- না (No)

৫। আপনার মতে, পাবলিক প্রকিউরমেন্ট একটি(আপনি একাধিক বক্সে টিক (✓) দিতে পারেন) [You think that public procurement is a..... (you can give tick (✓) mark on more than one option)]:

- জটিল প্রক্রিয়া (complex process)
- যৌক্তিক প্রক্রিয়া (logical process)
- অপ্রয়োজনীয় প্রক্রিয়া (unnecessary process)
- মন্তব্য নেই (no comments)

নিচের প্রশ্নগুলোর(৬-১২) প্রতিটির ক্ষেত্রে ডানের বক্সগুলোর যেকোন একটিতে টিক (✓) দিন [For the questions below (from 5 to 9), give tick (✓) mark on the options on right]		একেবারেই একমত নয় (Strongly disagree)	একমত নয় (Disagree)	নিরপেক্ষ (Neutral)	একমত (Agree)	সম্পূর্ণ একমত (Strongly agree)
৬।	পাবলিক প্রকিউরমেন্ট একটি সময়ক্ষেপনকারী প্রক্রিয়া (Public Procurement is a time-consuming process):	1	2	3	4	5
৭।	পাবলিক প্রকিউরমেন্টে হানাহানির আশঙ্কা থাকে (Public procurement has the chances of violence):	1	2	3	4	5
৮।	পাবলিক প্রকিউরমেন্টে দুর্নীতির আশঙ্কা থাকে (Public procurement has the chances of corruption):	1	2	3	4	5
৯।	পাবলিক প্রকিউরমেন্টে প্রতারণার আশঙ্কা থাকে (Public procurement has the chances of fraudulence):	1	2	3	4	5
১০।	সরবরাহকারি, পরামর্শক, এবং ঠিকাদারগণের পাবলিক প্রকিউরমেন্টের উপর প্রশিক্ষণ থাকা প্রয়োজন (Suppliers, consultants, and contractors need to have training on Public procurement rules and regulations):	1	2	3	4	5
১১।	টেন্ডার এওয়ার্ড এর পূর্বে অংশগ্রহনকারী দরপত্র জমা দানকারীদের সবাইকে জানানো প্রয়োজন (Before issuing NOA to any bidder, this is required to inform all the participating bidders about it):	1	2	3	4	5
১২।	বিশ্বব্যাপক এর নতুন প্রকিউরমেন্ট ফ্রেমওয়ার্কের উপর ক্রয়কারীর পাশাপাশি সরবরাহকারী/পরামর্শক গণকেও প্রশিক্ষিত করা প্রয়োজন (Beside procurers, the bidders should be trained in New Procurement Framework)	1	2	3	4	5

১৩। পাবলিক প্রকিউরমেন্টে কোনটিকে আপনার নেতিবাচক মনে হয়?(একাধিক বক্সে টিক (√) দিতে পারেন)
[Which one do you think is the problem of public procurement (you can give tick (√) mark on more than one option)]:

- দরপত্র জমাদানকালীন গোলযোগ এবং হানাহানির আশঙ্কা (Violence during tender submission)
- দরপত্র মূল্যায়নে সময়ক্ষেপণ (taking time in tender evaluation)
- দরপত্র মূল্যায়নে দুর্নীতির আশংকা (corruption during tender evaluation)
- অবৈধ লেনদেনের আশংকা (chances of illegal transactions)
- রাজনৈতিক প্রভাবের আশংকা (chances of political influence)
- বিল পরিশোধে বিলম্বকরণ (delayed payment after the work is done)
- অন্যান্য (Others): _____

১৪। ই-জিপি (ইলেক্ট্রনিক সরকারি প্রকিউরমেন্ট) কি পাবলিক প্রকিউরমেন্ট ভালো ফল বয়ে আনবে? (Do you think e-GP (electronic Government Procurement) will bring good results for public procurement?)

- হ্যাঁ (Yes)
- না (No)
- আপনি ই-জিপি সম্পর্কে অবহিত নন (You are not aware of e-GP)

১৫। আপনি কি পাবলিক প্রকিউরমেন্টের আওতাধীন প্রকিউরমেন্টে স্বাচ্ছন্দ্য বোধ করেন? (Do you feel comfortable in procurement under Public Procurement rules and regulations?)

- হ্যাঁ (Yes)
- না (No)
- আপনার মন্তব্যের সপক্ষে কারণ বর্ণনা করুন (Describe the reason behind your feeling):

১৬। পাবলিক প্রকিউরমেন্টে ক্রেতার সাথে আলোচনার সুযোগ থাকা প্রয়োজন কি? (Do you think negotiation with buyer should be in public procurement?)

- হ্যাঁ (Yes)
- না (No)

১৭। ক্রেতার সাথে সরবরাহকারী/পরামর্শকের সম্পর্ক কেমন থাকা উচিত? (What kind of relationship should be between buyer and supplier/consultants?)

- দীর্ঘমেয়াদী কৌশলভিত্তিক (long-term strategic)
- পেশাগত (professional)
- বিনিময়ভিত্তিক (transactional)
- সৌহার্দ্যপূর্ণ (collaborative)
- অন্যান্য (Others): _____

১৮। কি করলে পাবলিক প্রকিউরমেন্টের আওতাধীন প্রকিউরমেন্ট আরো জনপ্রিয় হবে বলে মনে করেন? (How can public procurement be more popular and acceptable)?

(আপনি একাধিক বক্সে টিক (✓) দিতে পারেন) (you can give tick (✓) mark on more than one option):

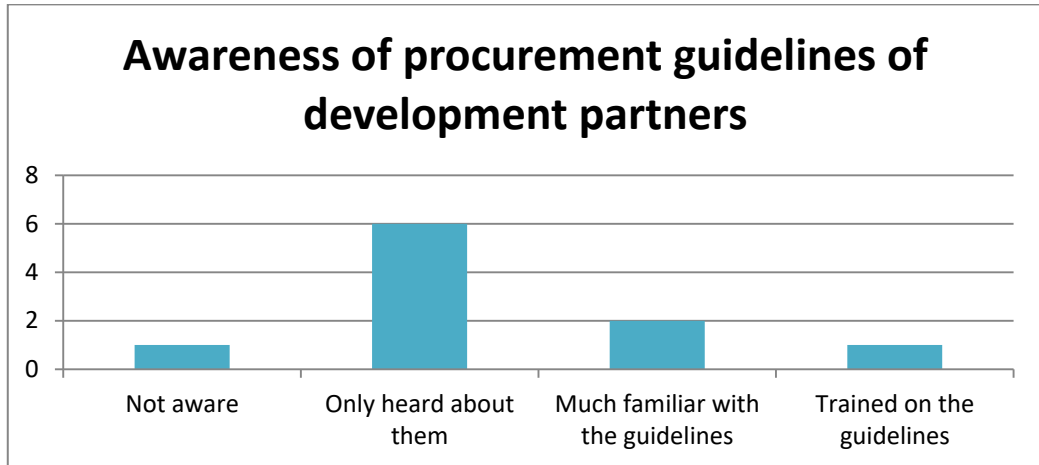
- প্রকিউরমেন্ট চলাকালীন সততা ও স্বচ্ছতা নিশ্চিত করা গেলে (By ensuring integrity and transparency during procurement process)
- পাবলিক প্রকিউরমেন্ট নীতিমালা সুষ্ঠুভাবে অনুসরণ করা হলে (By maintaining public procurement policy properly)
- সরবরাহকারি, পরামর্শক, এবং ঠিকাদারগণকে পাবলিক প্রকিউরমেন্টে প্রশিক্ষিত করা গেলে (By training suppliers, consultants and contractors in public procurement)
- কোন পক্ষপাতিত্ব বিহীন প্রকিউরমেন্ট করা হলে (By completing procurement without any biasedness)
- অন্যান্য (Others): _____

Appendix D: Details of the Survey among IDCOL Officials

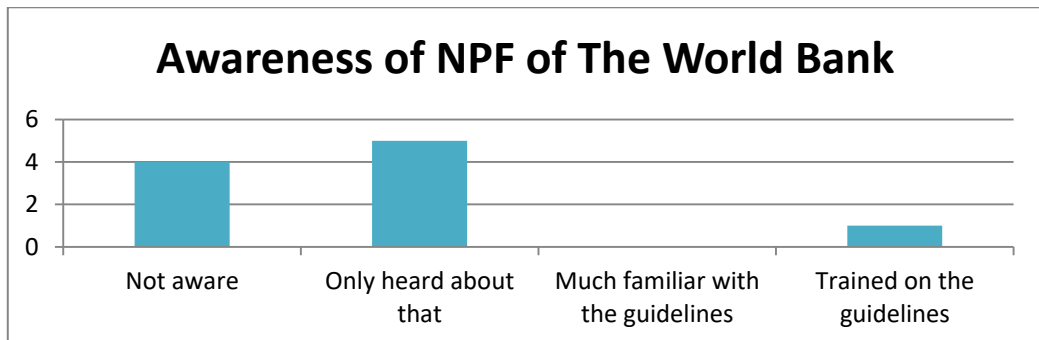
I. Public Procurement Awareness:

Organization	Aware of Public Procurement	Not aware of Public Procurement
<i>IDCOL</i>	4	6

II. Awareness of Procurement Guidelines under different development partners:



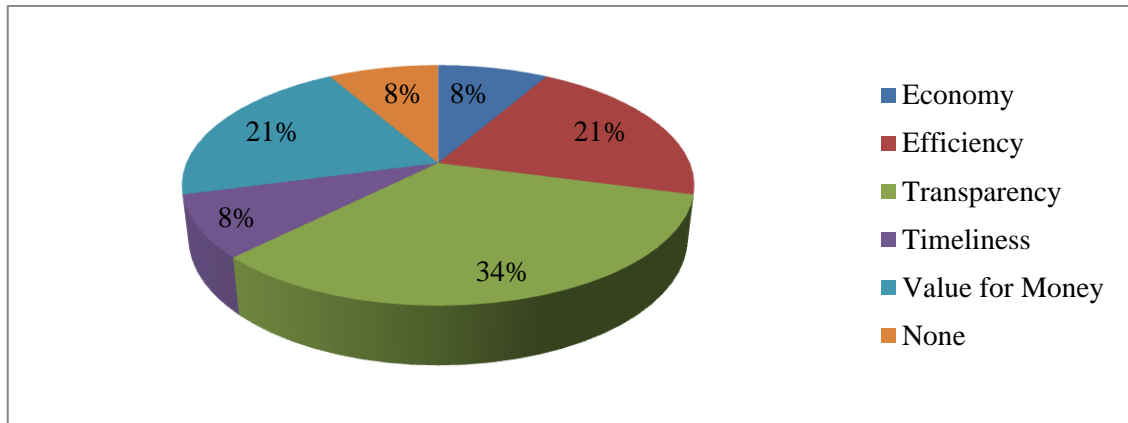
III. Awareness of New Procurement Framework (The World Bank):



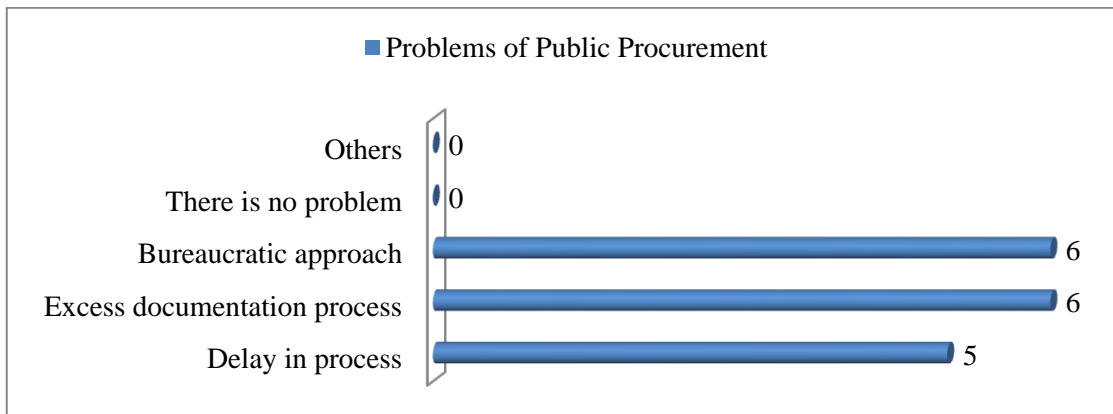
IV. Training on Public Procurement:

Organization	Has Procurement Training	Has No Procurement Training
<i>IDCOL</i>	3	7

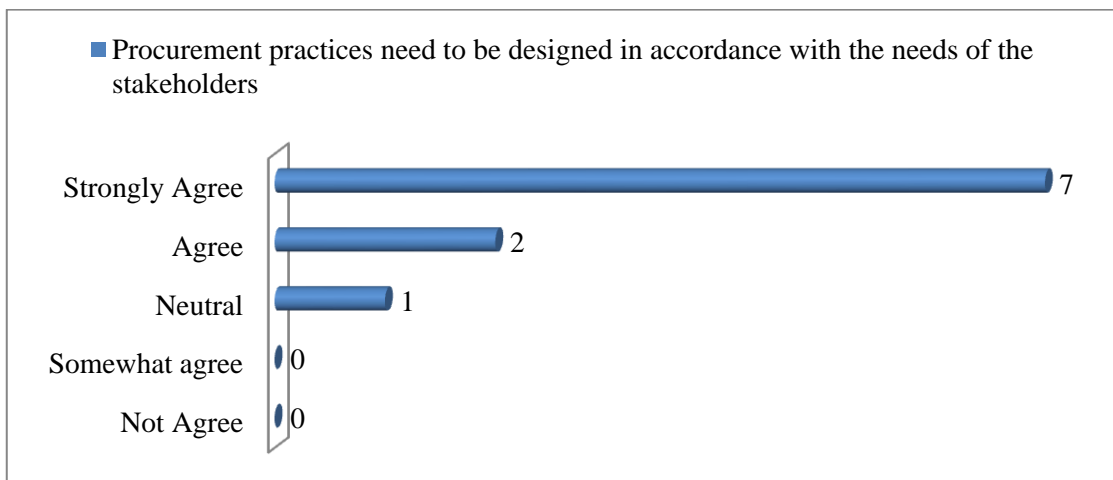
V. Benefits of Public Procurement:



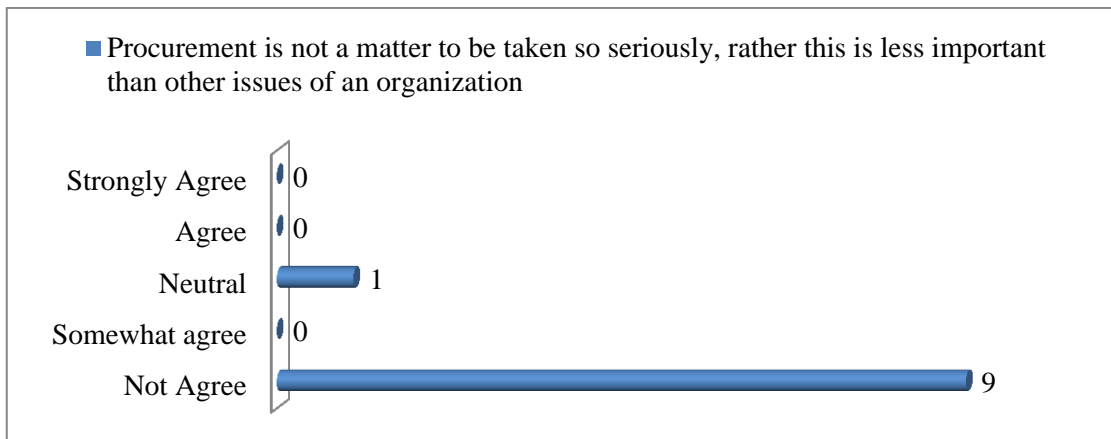
VI. Problems of Public Procurement:



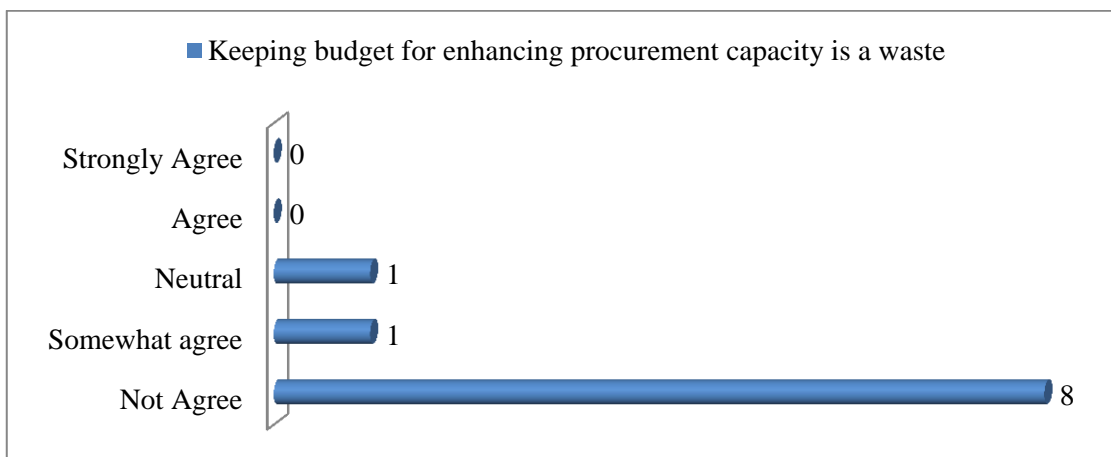
VII. Necessity of Stakeholders in Designing Procurement Practices



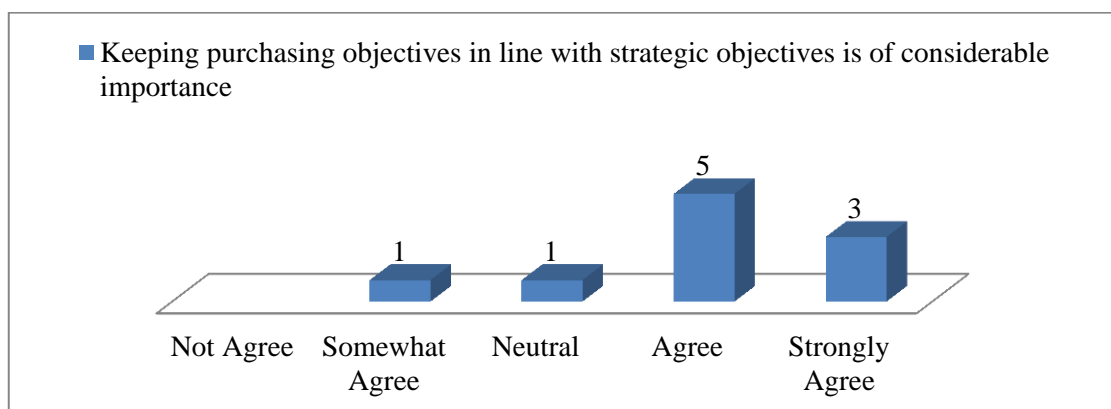
VIII. Importance of Procurement in Organization



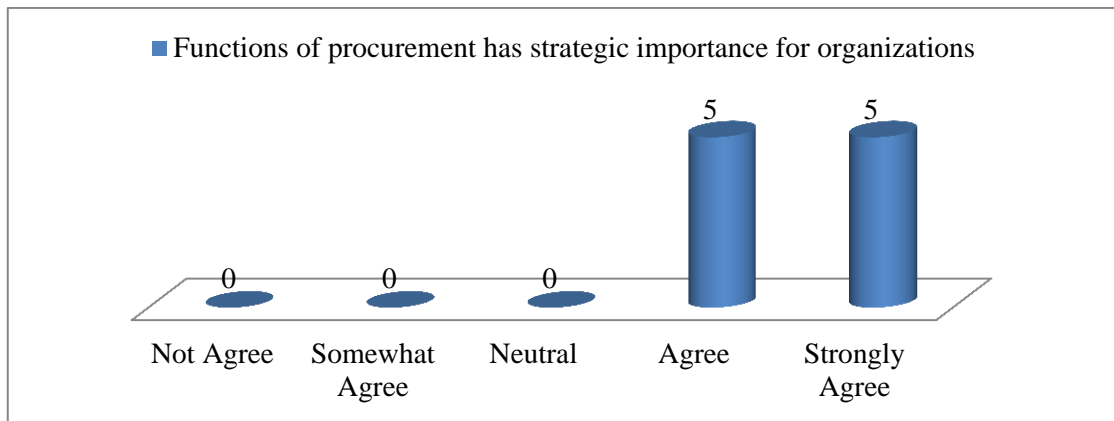
IX. Necessity of Keeping Budget for Procurement Capacity Enhancement



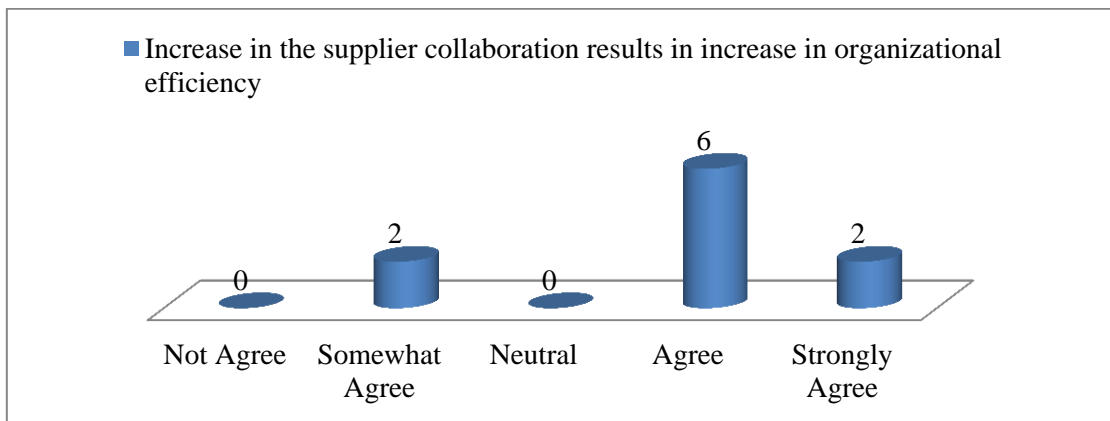
X. Necessity of Aligning Purchasing Objectives with Strategic Objectives



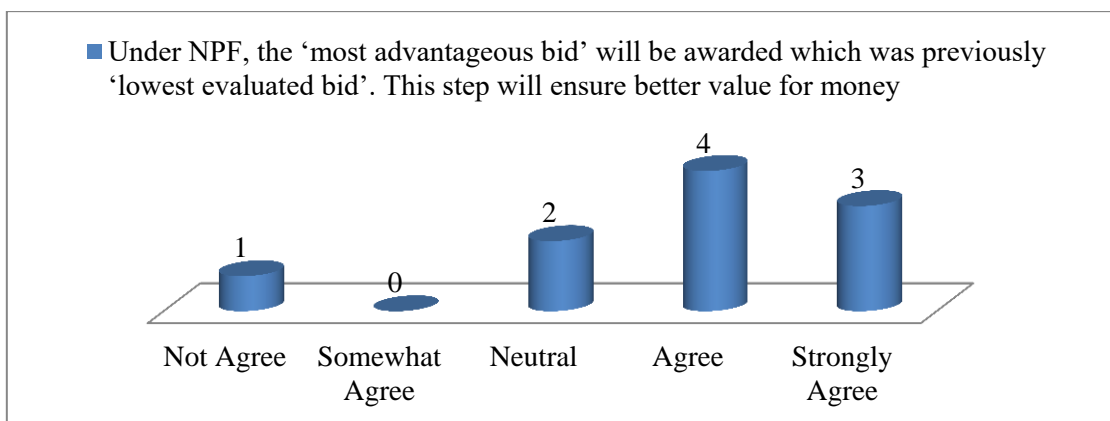
XI. Strategic Importance of Procurement in an Organization



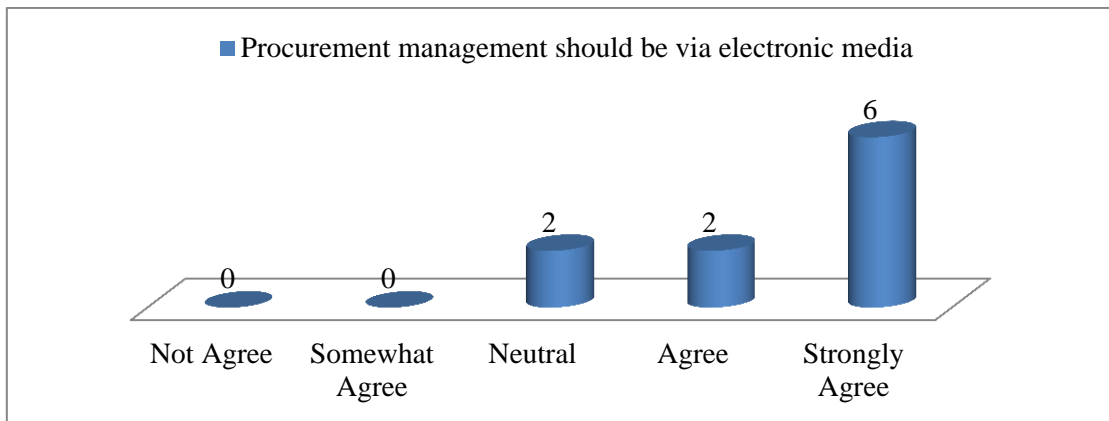
XII. Importance of Supplier Collaboration in Organizational Efficiency



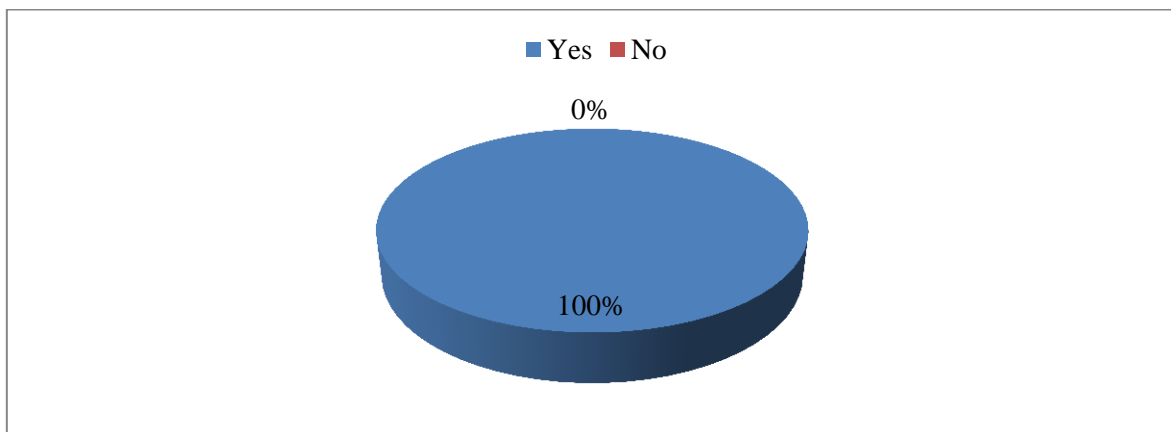
XIII. Most Advantageous Bid will ensure better Value for Money



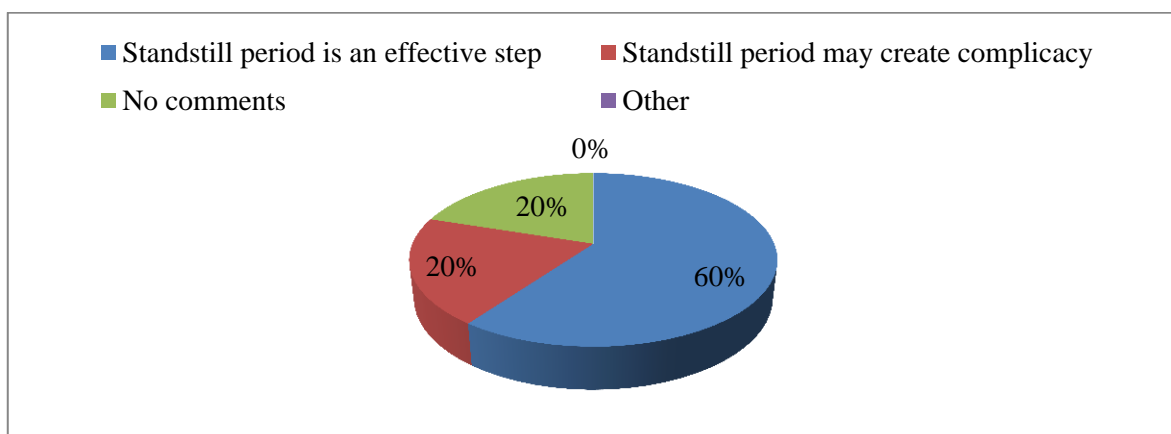
XIV. Necessity of Electronic Media in Procurement Management



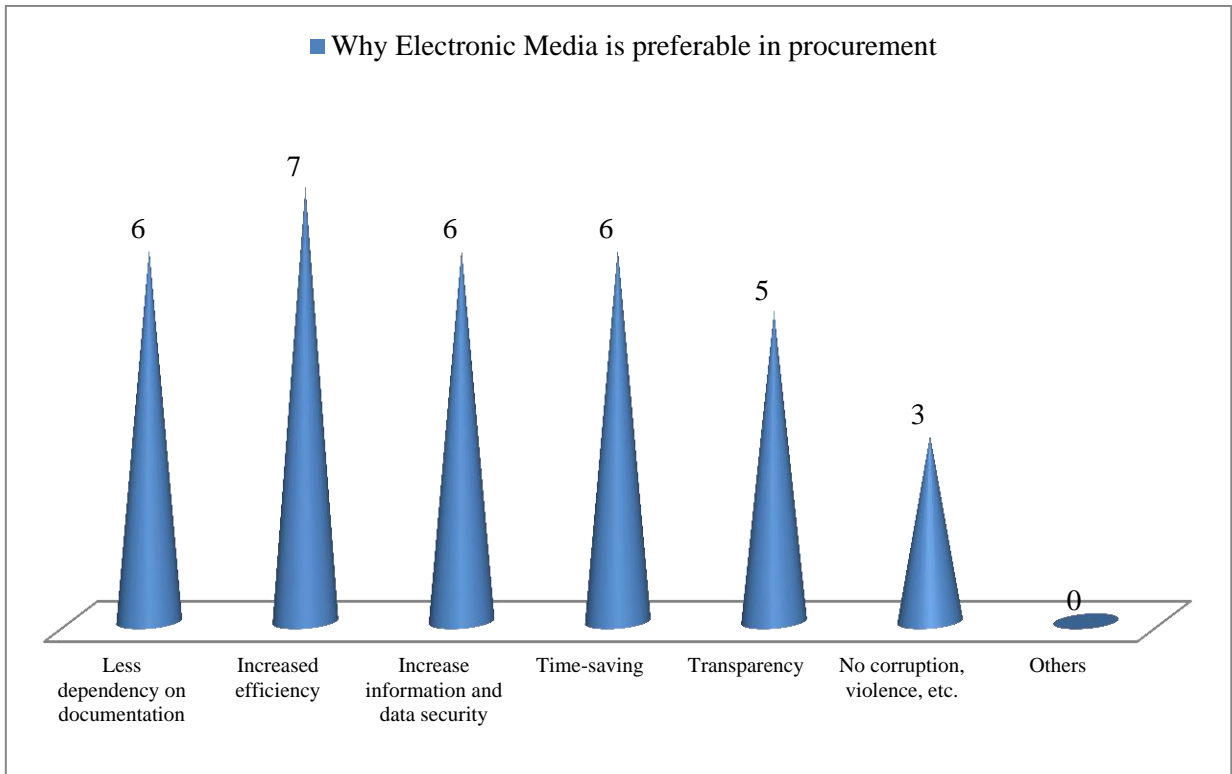
XV. Will market engagement, competitive dialogue and clarification meetings be effective?



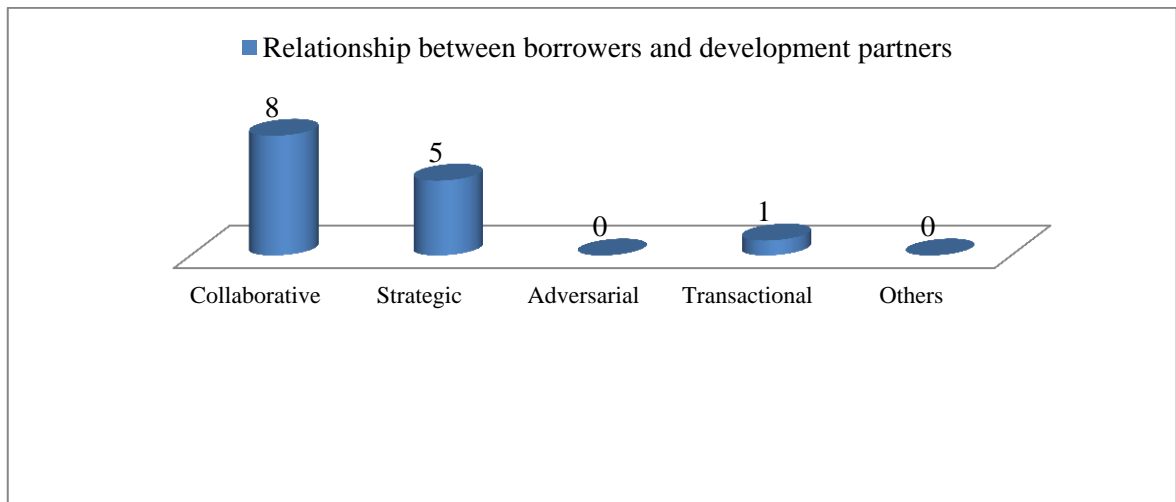
XVI. Will 'Standstill Period' be effective in public procurement?



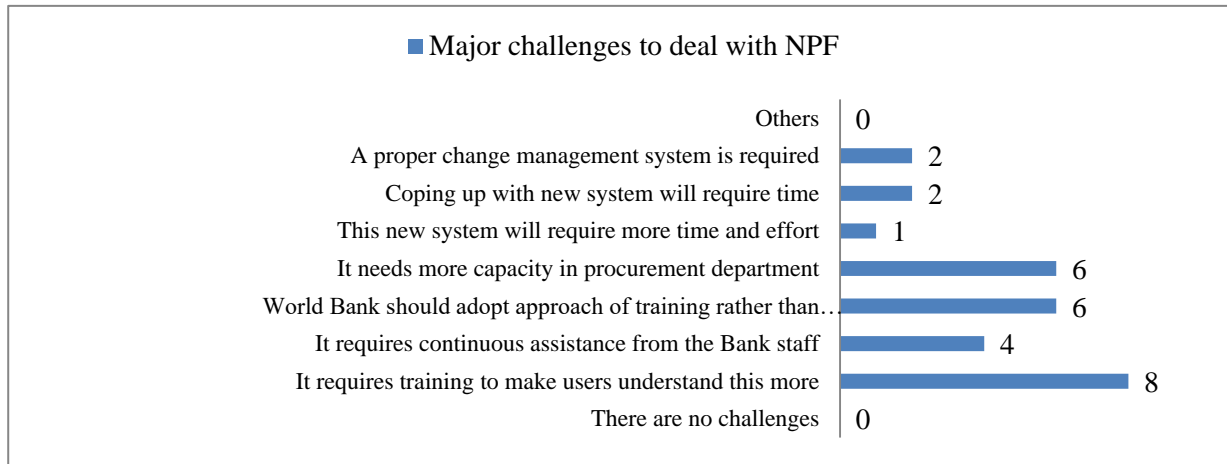
XVII. Electronic Media is preferable in procurement for the reason:



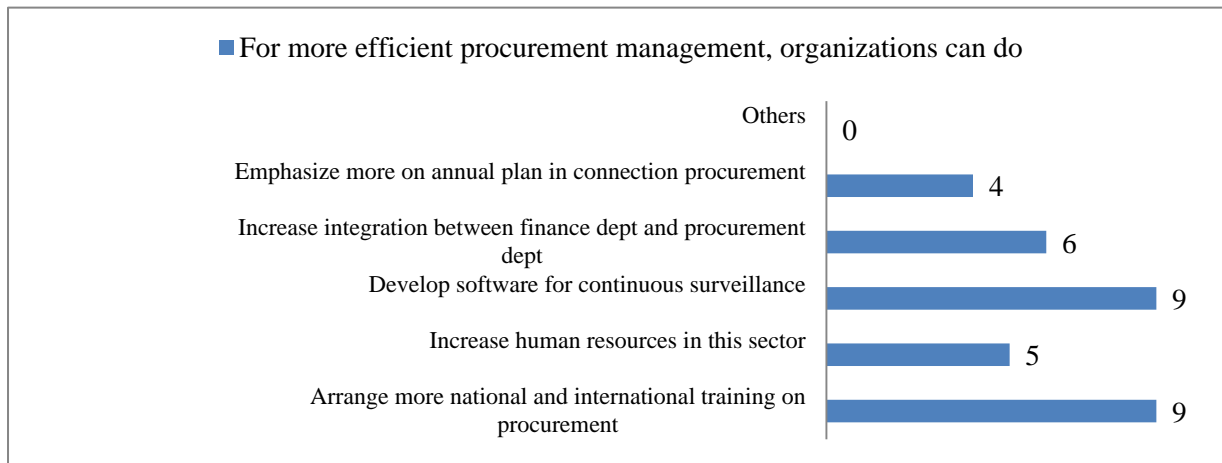
XVIII. Relationship between Borrower and Development Partners should be:



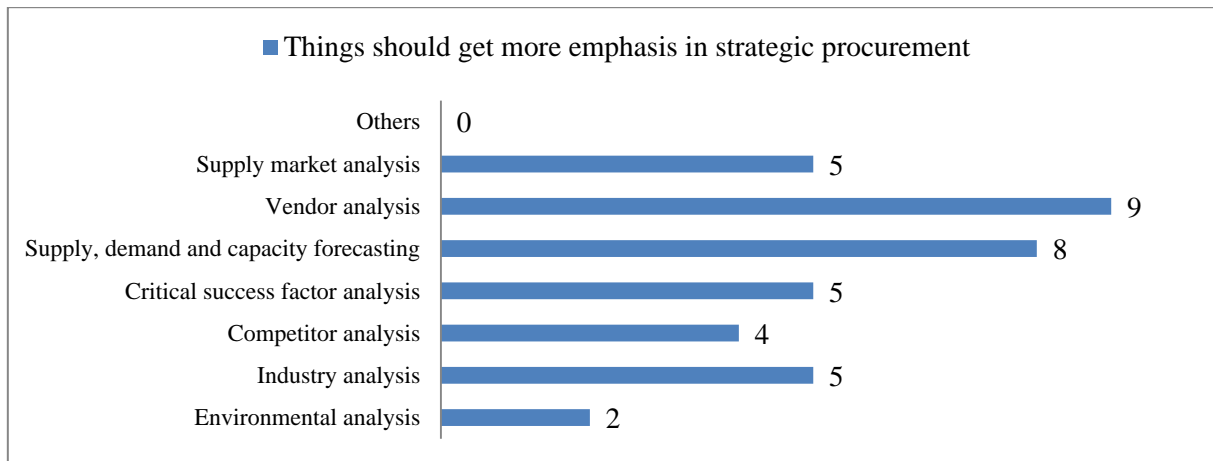
XIX. Major Challenges to deal with NPF:



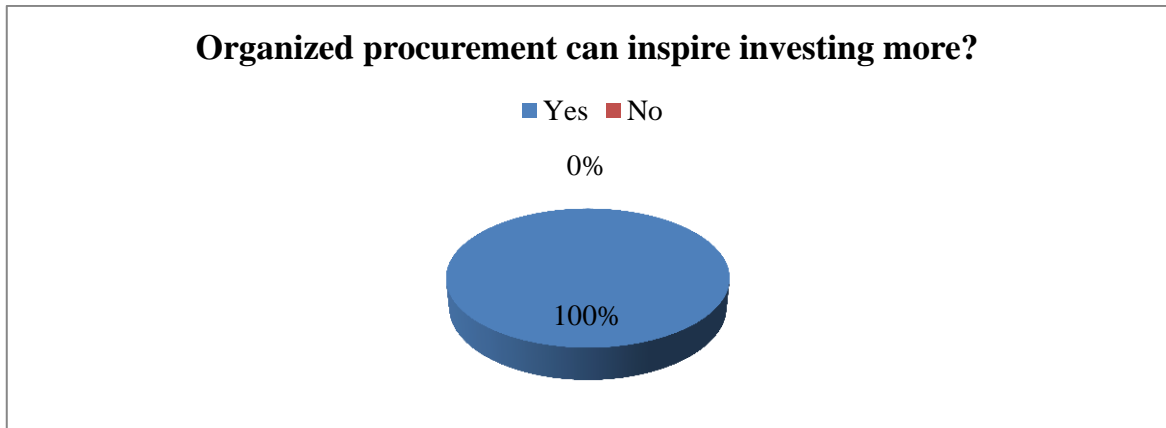
XX. For more efficient handling of procurement, organizations can do:



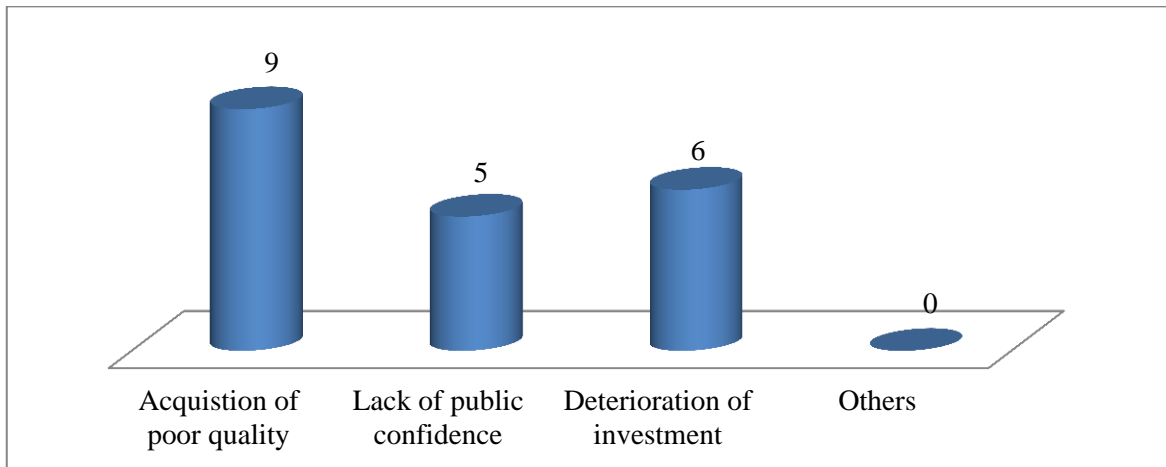
XXI. In Strategic Procurement, the things need to get emphasis are:



XXII. Organized Procurement and Investment



XXIII. Consequences of Misprocurement



Appendix E: Details of the Survey among Bidders

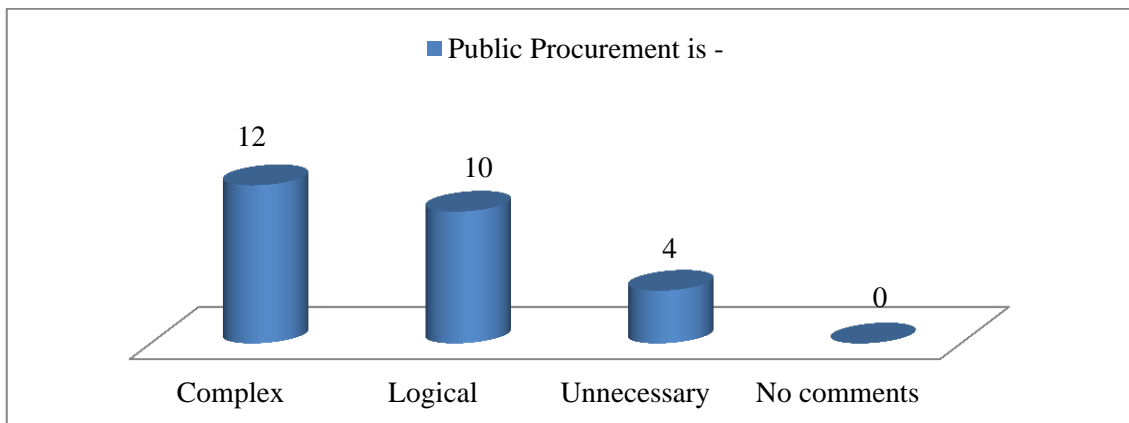
I. Types of Respondents (Bidders):

Types	Number
Supplier	12
Contractor	2
Consultant	6
Others	0

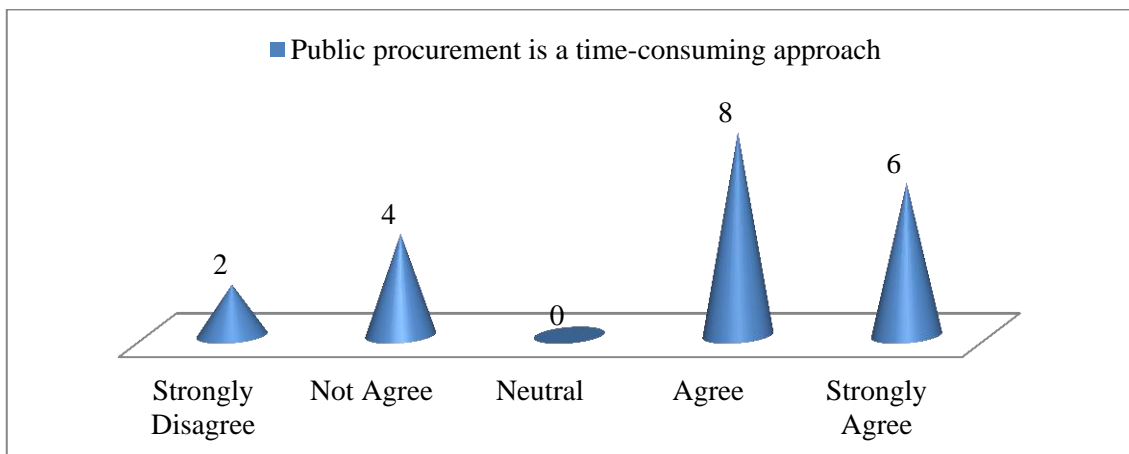
II. New Procurement Framework (NPF) Awareness among Bidders:

Awareness	No. of Respondents
Aware of NPF	3
Not aware of NPF	17

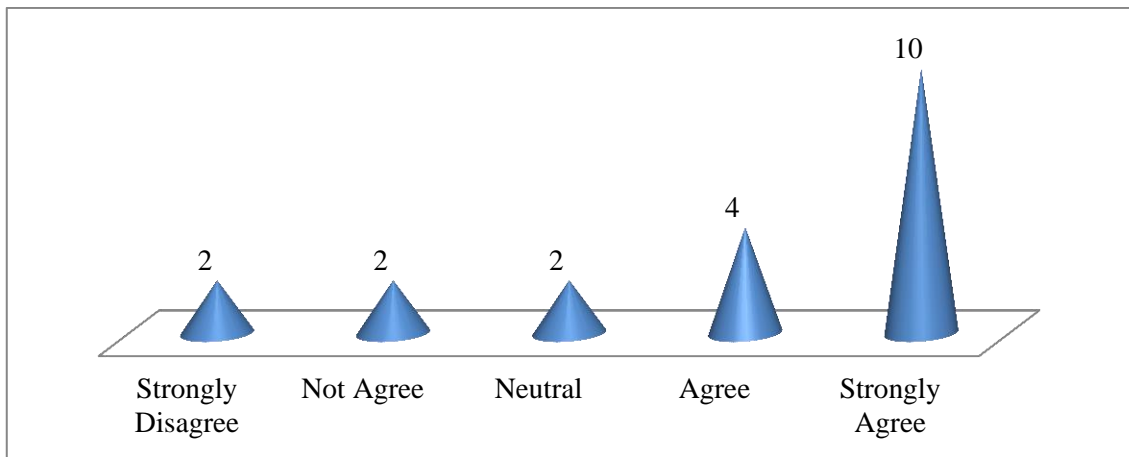
III. Opinion about Public Procurement:



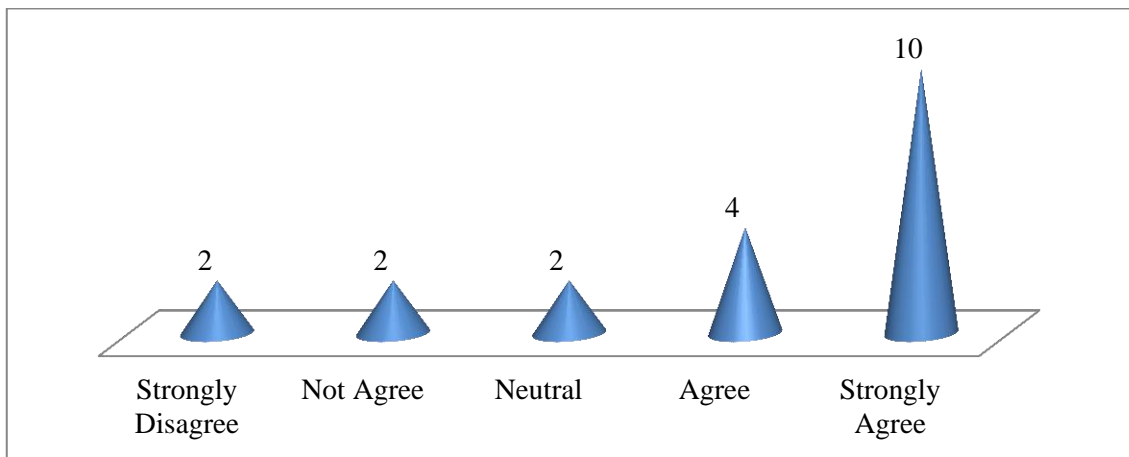
IV. Whether Public Procurement is a Time-Consuming Approach:



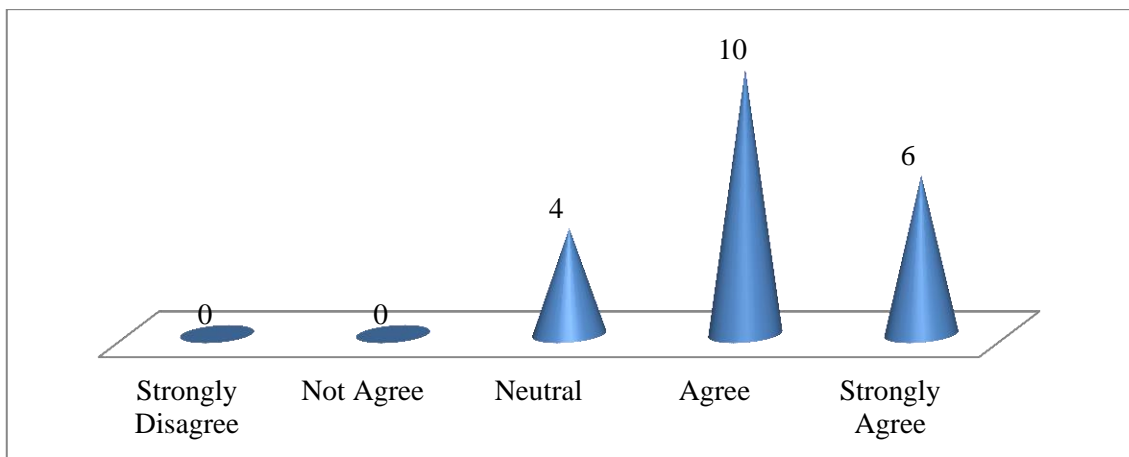
V. Public Procurement has the chance of violence:



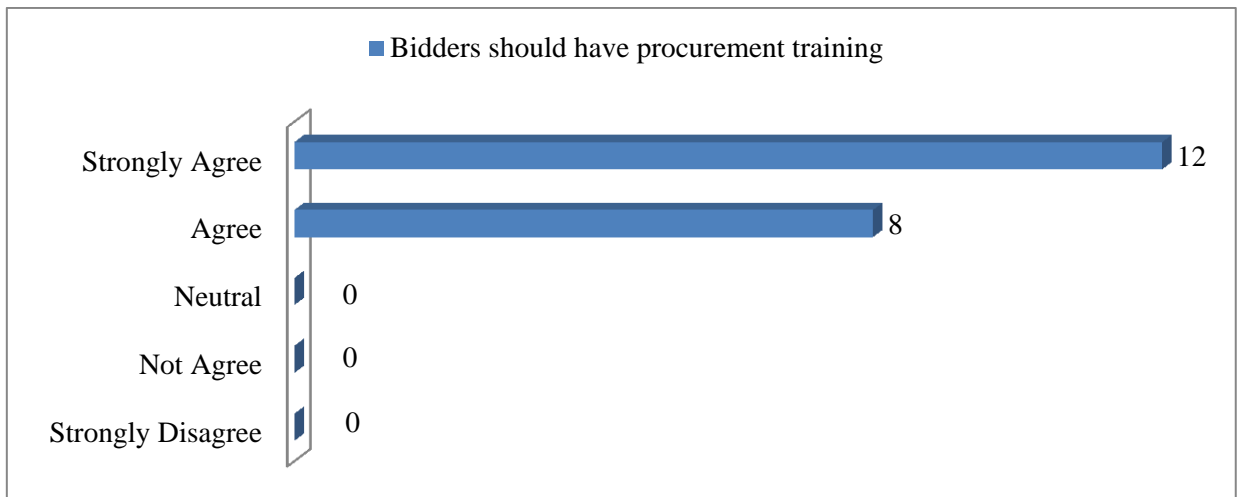
VI. Public Procurement has the chance of corruption:



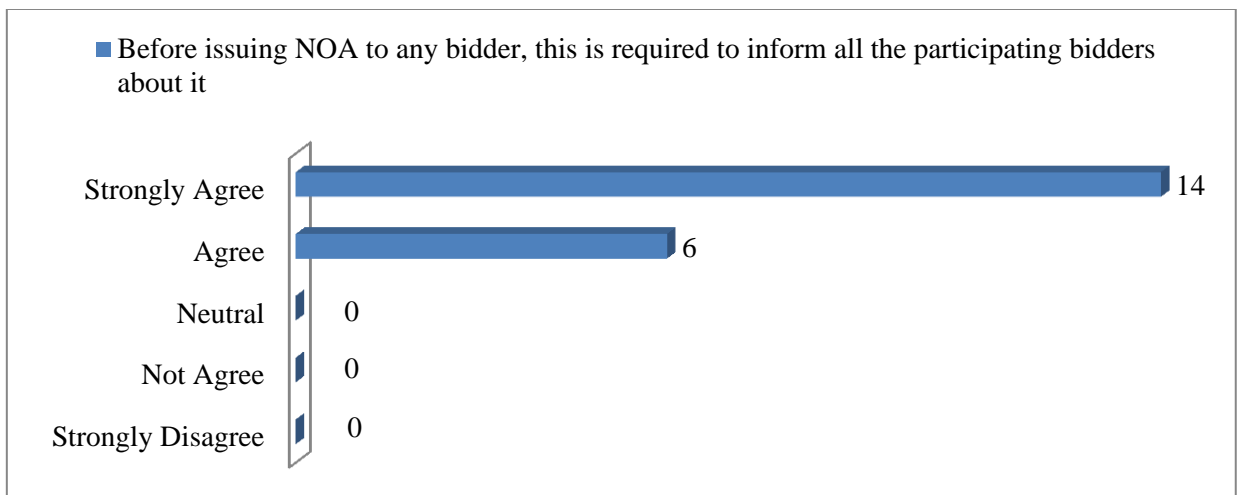
VII. Public Procurement has the chance of fraudulence:



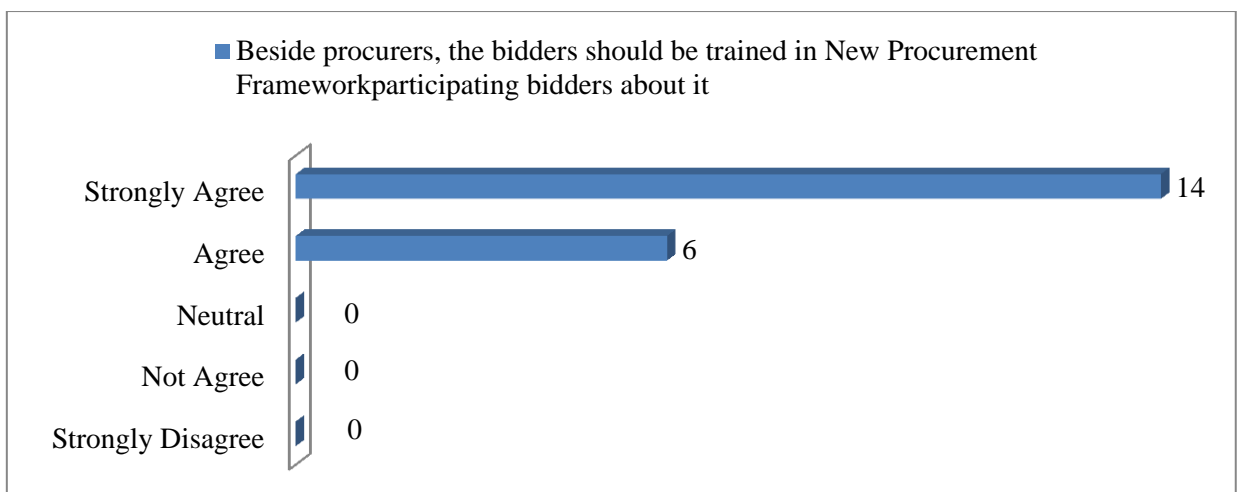
VIII. Necessity of Procurement Training of Bidders:



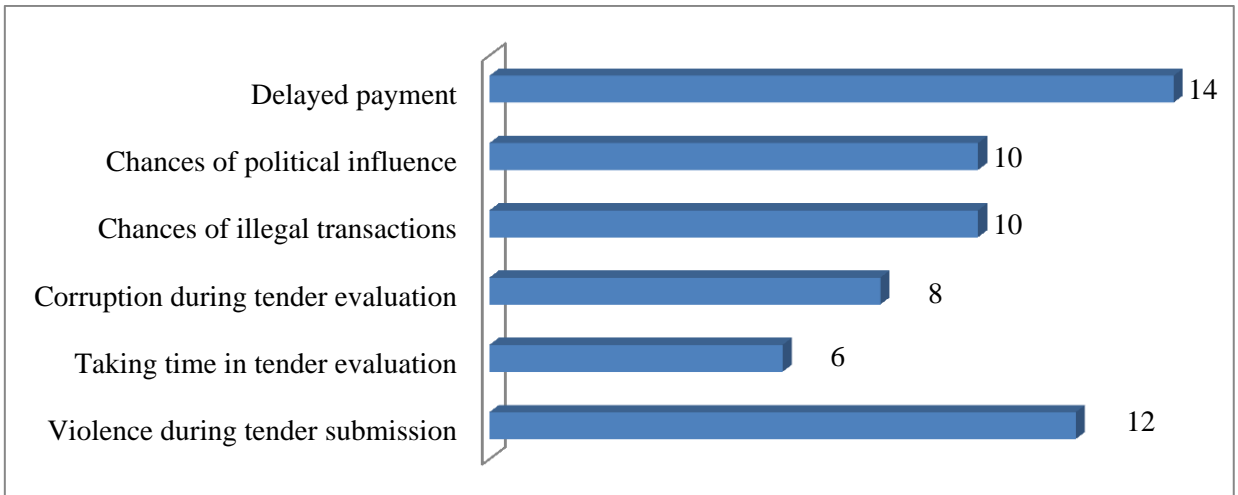
IX. Informing Participating Bidders before Issuing NOA:



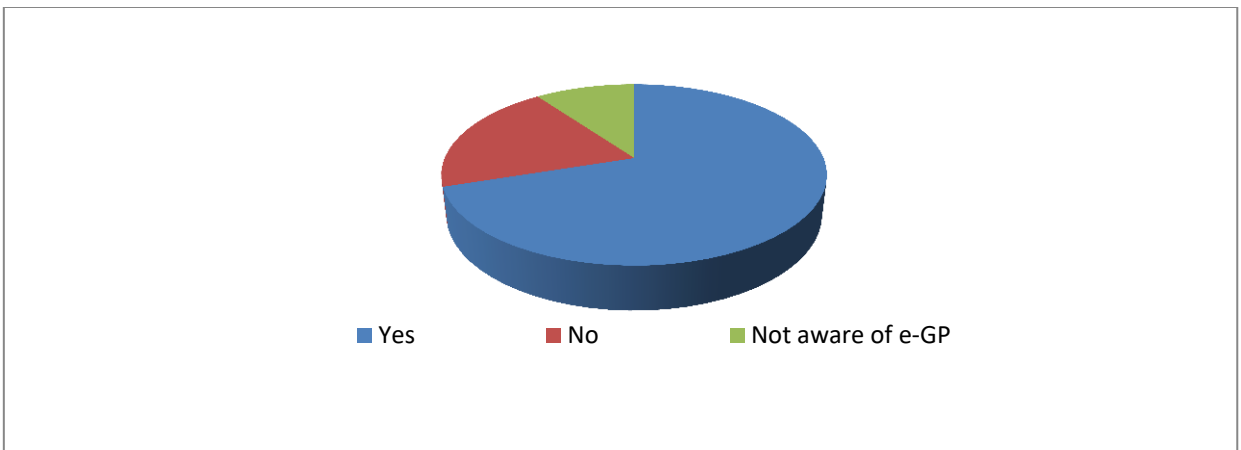
X. Importance of Bidders to be trained in NPF:



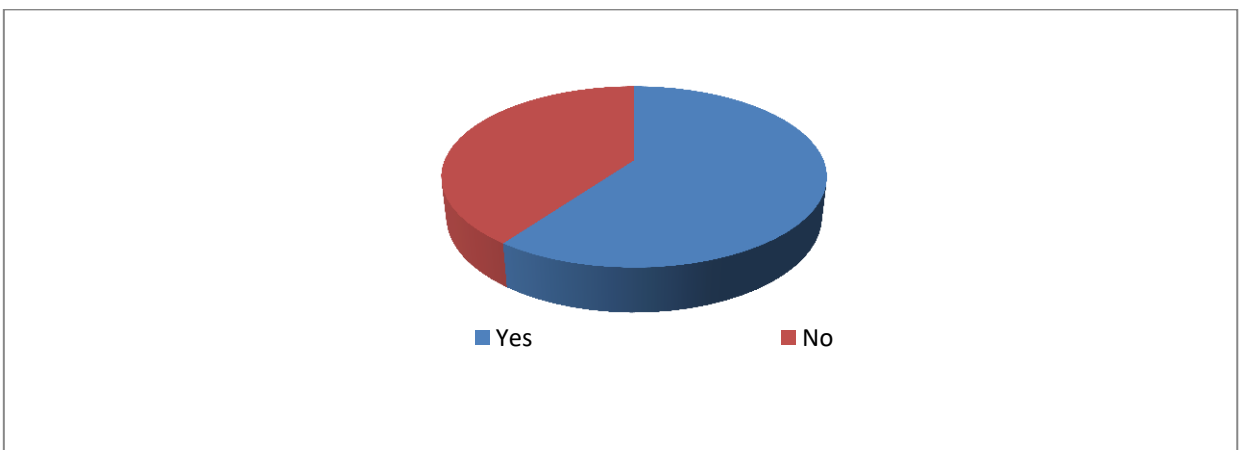
XI. Problems of Public Procurement:



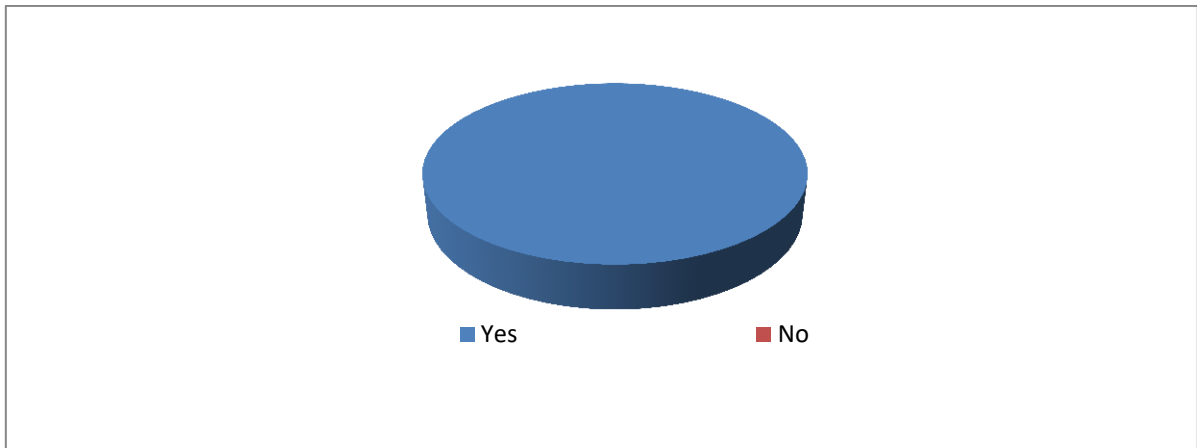
XII. Will e-GP be beneficial for Public Procurement?



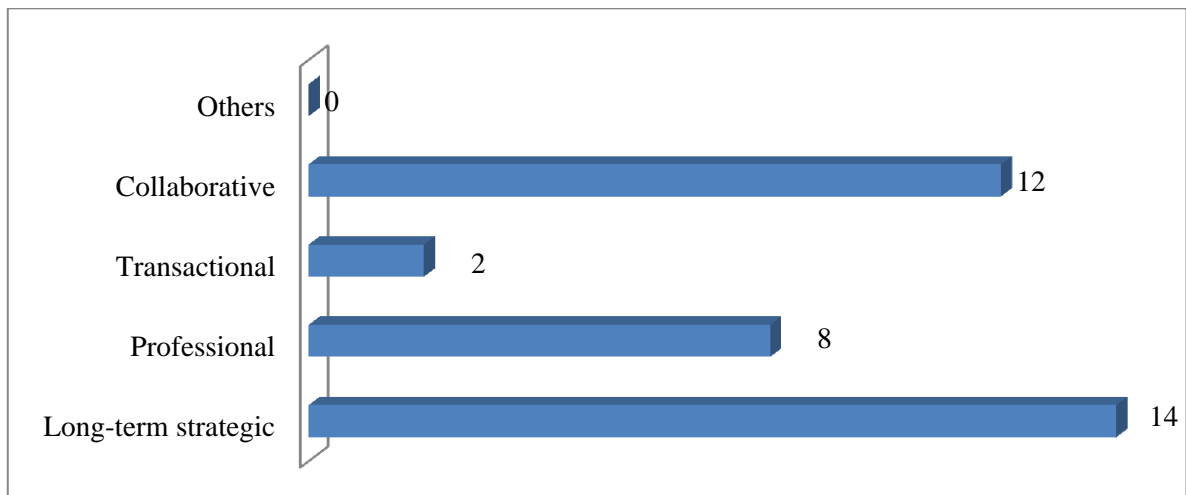
XIII. Are you comfortable in Public Procurement?



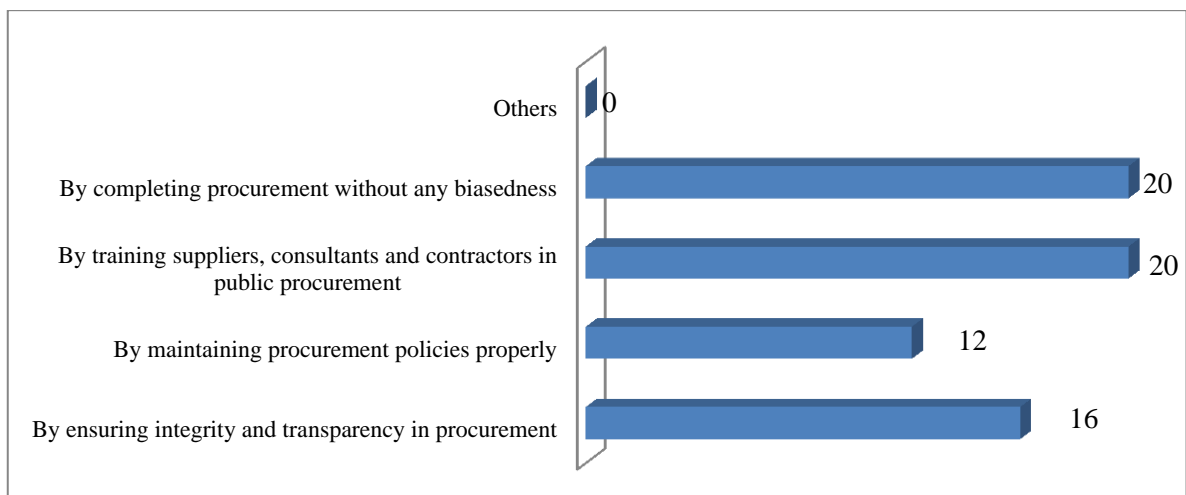
XIV. Should negotiation with buyer be in public procurement?



XV. Relationship between Buyer and Supplier/Consultant should be:



XVI. How can Public Procurement be more popular and acceptable:



Appendix F: List of People Interviewed

A. List of Interviewees (For Expert Interview):

1. Mr. Mohammad Mesbahuddin, Procurement Specialist, Former Chief, Planning Commission, Ministry of Planning, Government of Bangladesh.
2. Mr. Md. Aziz Taher Khan, Director, Central Procurement Technical Unit (CPTU), IMED, Ministry of Planning, Government of Bangladesh.

B. List of Interviewees (Procurers - Employees of IDCOL):

Sl No.	Designations
1	Assistant Manager, Administration
2	Manager, IT & MIS
3	Assistant Manager, Monitoring
4	Assistant Manager
5	Senior Officer, Credit Administration Department
6	Manager, Finance and Accounts
7	Senior Investment Officer
8	Assistant Manager, Procurement
9	Manager, ICS Program, Renewable Energy
10	Senior Officer, Renewable Energy

C. List of Interviewees (Bidders)

Sl	Name	Firm's Name	Business Type
1	Dr. Humayun Kabir	Bangladesh Agricultural University	Academic and Research
2	Mr. Shaikh	Markcom Limited	Advertising Agency
3	Md. Ali Imam	Smart Technologies (BD) Ltd.	Supplier
4	Mofazzal Hossain	Irrigation Consultant, IDCOL	Consultancy
5	Jahangir Hossain	MediaTex	Supplier
6	Mizanur Rahman	R. J. Printing	Supplier- Printing Press
7	Md. Hasinur Jaman	Sthapottik	Supplier, Contractor, Interior Decorating Firm
8	Faisal Rabbi	e.Gen Consultants Ltd.	Consulting Firm
9	Shafiul Islam	SiS Inflexionpoint (BD) Ltd.	Supplier-ICT Products

Sl	Name	Firm's Name	Business Type
10	Md. Moniruzzaman	Multilink International	Supplier-ICT Products
11	S. M. Moslehuddin	Sunrise International	Supplier & Contractor
12	Md. Mizanur Rahman	Tridhara Promotions	Supplier
13	Kazi Rownak	M/S Masud Enterprise	Supplier
14	Md. Ibrahim Sikder	Technology Source	Supplier
15	Md. Khairul Islam	Harmony Trade International	Supplier & Contractor
16	Md. Ismail	Gungchil Limited	Supplier
17	Md. Masud Rana	Dewan Printing & Packaging	Supplier- Printing Press
18	Md. Jahangir Alam	Micro-Max Technologies	Supplier-Indentor, Importer
19	Md. Shah Arif Hossain	Hamko Corporation Ltd.	Supplier
20	Md. Shajahan	Biz-Track	Supplier
