

Executive Summary

Procurement is a specialized subject, which requires a high degree of knowledge and skill of those who are engaged in procurement of goods, works and services. Absence of adequate rules, procedures and other standard documents in Bangladesh has created serious problems in the implementation of procurement functions. The procurement practices followed until the issue of The Public Procurement Regulations, 2003 dated back to 1930s when the 'Manual of Office Procedure (Purchase)' was first issued and amended last in 1977. In 1992, ERD issued 'Guidelines for Procurement of Goods and Works Financed under Project Aid' and 'Guidelines for Employment of Consultants by the Government of Bangladesh'. Both these were based on World Bank documents, neither of which comprehensively deal with the diverse procurement issues nor have been updated in line with modern procurement practices. Prior to the introduction of the Public Procurement Regulations there were no nationally applicable uniform comprehensive procurement regulations or procedures. Consequently, procurement under local funding has been performed in a somewhat haphazard fashion leading to delays in decision-making and wastage of public resources. As a result public procurement reform in Bangladesh was very much essential as - (1) Guidance for the current procurement system was scattered among various outdated regulations and procedures; (2) Little action was taken to ensure that the procurement process complied with established regulations and procedures; (3) There were no clear lines of public accountability in the procurement process and little transparency; (4) There was little institutional coordination; (5) Operating through cash budgets and with inadequate financial planning, the government was an unreliable business partner and suppliers frequently suffered delays in receiving payment for goods and services supplied; consequently bidders sought to offset these risks by higher prices; (6) The system suffered from various forms of malpractice and unethical conduct, including a high incidence of vested interests, interference and insider dealings and occasional cases of retrospective approval of contract awards; and (7) There was a lack of professional knowledge and expertise in the purchasing and contracting function at all levels. So to overcome the above factors the Public Procurement Act 2006 was passed by Parliament, which was activated through issuing the Public Procurement Rules 2008 (PPR) outlines the principles to be followed by all the public sector procuring entities.

RHD is responsible for the construction and the maintenance of the major road and bridge network of Bangladesh. Since the Department was established the size of the major road network in Bangladesh has grown from 2500 kms to the present network of 21271 kms. Road sector is an important sector in the economy of any nation due to its impact on the welfare of its citizens and the investment involved. Good quality of road works is important for both safety and economic development reasons in any society. This importance is propounded by the fact

that the transport sector has a major role to play in the socio-economic development of a country as it provides access to markets, production, jobs, health, education and other social services. Construction and repair of roads utilizes a great part of government expenditure in Bangladesh. So the main question for this study is whether implementation of Public Procurement Rules 2008(PPR) is efficient and effective in road construction projects. For this assessment Roads and Highways Department was used. Project performance factors time and cost overruns were also studied.

The objectives, as mentioned in research objectives in sections 1.4.1 and 1.4.2, of the study were achieved through two approaches; the first one was a valid questionnaire that was obtained from different respondents from different departments such as Roads and Highways Department (RHD), Local Government and Engineering Department (LGED) and also from contractors. The second, by studying cases exposed to time and cost overruns in Roads and Highways Department (RHD).

The study clarified that “PPR does not support emergency situation and it is hard to follow at the emergency period” is the most critical factor that influence efficiency and effectiveness of PPR. The survey also indicated that "PPR takes time" occupied the second rank in importance according to the opinion of overall respondents. The survey also illustrate that "the extent of PPR in road sector projects is very much important" and this factor occupied the third rank from overall viewpoints of respondents.

The study indicates that “Cash problem during construction” is the most critical factor that influences project delay. The survey also indicated that “strikes and calamity; major disputes and negotiations” are among the most important factors affecting delay as per the overall opinion of respondents. The study illustrated that “Increment of materials prices” is one of the most important factors that may lead to cost overrun.

The study recommends that to make PPR effective and efficient, support from highest political levels is essential, this is seen as necessary for any organisational change to succeed, as it avoids any doubt about the government’s commitment to reform. The study also recommended the procuring entities to hold their responsibilities to avoid any delay or cost overrun that could be achieved by good management of the project and taking appropriate “Business contingency plan, Business continuity plan and Disaster management plan” for emergency situation such as strikes and calamity from the beginning of the project. The study also recommended the government to adopt laws through Bangladesh legislative council to prevent materials monopoly.