

**The Effectiveness of Emotion driven Price Negotiation to achieve best value for money for  
procurement of goods in the donor funded development projects in Bangladesh: An  
Assessment**

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

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## **Certificate**

This is my pleasure to certify that the dissertation entitled “The Effectiveness of Emotion driven Price Negotiation to achieve best value for money for procurement of goods in the donor funded development projects in Bangladesh: An assessment” is the original work of Mr. Syed Abdulla Tanzim Al Bayezid (Student ID: 13282005) that is completed under my direct guidance and supervision. So far I know, the dissertation is an individual achievement of the candidate’s own efforts, and it is not a conjoint work.

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

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## **Declaration**

I, Syed Abdulla Tanzim Al Bayezid confirm that the work for the following thesis paper with the title “The Effectiveness of Emotion driven Price Negotiation to achieve best value for money for procurement of goods in the donor funded development projects in Bangladesh: An assessment” has been performed by me. All sections of the paper that use quotes or describe an argument or concept developed by another author have been referenced, including all secondary literature used, to show that this material has been adapted to support.

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## **ABSTRACT**

As Procurement of donor funded development sector is increasingly becoming prominent in Bangladesh, it also becomes very important to reach out to the best possible value that can be attained from the spending. Although it is well acknowledged that Procurement has been one of the important areas to work on to attain the overall value of the entire process, very few studies have been conducted to find out the effectiveness of the Procurement that can generate real value in the Development Sector of Bangladesh. This work solely aims to figure out to the effectiveness of procurement practice that are currently exercised in the field of development sector in Bangladesh and its potential if efficient price negotiation session can be arranged. Specifically the assessment wants to see the possible impact of emotion driven price negotiation which is relatively a recent addition in Bangladesh scenario. Moreover, the impact of emotion driven negotiation to achieve best value in the entire procurement process through staff competency and procurement performance are given emphasis to show how incorporation of this new idea can bring new positive results. The assessment finally reveals the significance of efficient management in the entire procurement cycle and practice ultimately affects procurement performance and its effectiveness if both buyer and suppliers are emotionally connected to a humanitarian cause. The assessment was conducted through a detail design using a number of participants from different sections participated in a survey within some INGO (International NGO), National NGO and Donor Agencies in Bangladesh. The study engaged purposeful sampling to select the sample questionnaire. This resulted to a sample size of 40 staffs from different organizations. A semi structured questionnaire for data collection was used as primary source of data. The primary data was analyzed statistically using traditional narrative summary analyses. Findings indicate that using emotion driven price negation can bring new positive impact to achieve better value for money in the procurement process and practice of donor funded development projects in Bangladesh.

Key words: Development sectors, Procurement Cycle, Procurement Performance, Economy, Efficiency and Effectiveness, Emotional Intelligence, Negotiation, Donor community, Users department, Public Procurement Rules, Transparency, Accountability, Quality, Procurement performance measurement system, Sustainability.

## Used Abbreviations

**VfM-** Value for Money

**EI-** Emotional Intelligence

**PAAT-** Perception, Acceptance, Addressing, Transformation

**DFID-** Department for International Development

**NGO-** Non-Government Organizations

**USAID-** United States Agency for International Development

**NAO-** National Audit Office

**NEF-** The New Economics Foundation

**LDC-** Least Developed Country

**CPAR-** Country Procurement Assessment Report

**CPTU-** Central Procurement Technical Unit

**PIU-** Parallel Implementation Unit

**ADB-** Asian Development Bank

**PFI-** Private Finance Initiative

**PPP-** Public Private Partnership

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## **Chapter-1: Introduction**

### **1.1 Introduction**

The prominent progress Bangladesh has been making on both social and financial indicators over the last few years, the positive result out of these indicators are widely given to the country's donor funded development projects. The development sector as non-governmental organizations (development sector) have significantly increased their activities during this period and have proved that it is possible to carryout successful development experiments throughout the country. The exclusive role of the donor funded development sector is not limited to the delivery of social development activities and poverty alleviation. They have designed cost effective models in order to link the poor to the market access. If we look back to the Poverty Reduction Strategy Paper (PRSP) views the donor funded development sector's role as an essential part of efforts to achieve country's poverty alleviation targets, particularly by offering services to the extreme poor. However, the continuous growth and extension of the development activities under donor funded development sector has also given chance to raise questions and queries. Especially, the expenditure through procurement activities has been a major concern for the observer of the sector. As the sector is exclusively designed for rapid development in the targeted areas, the idea of development requires a significant numbers of procurement assignments- both goods and services. The service procurement for the sector has not been much criticized as there are availability of recognized development partners in this regard. But the actions related to procurement of goods and commodity have been a path of less traveled by as so many parties as donor, buyer, program implementer, suppliers are involved in this regard. Moreover, in terms of procurement of goods, it is observed that few of the parties are not satisfied with the process. To rectify and make the process steady and standardized, idea of Value for Money (VfM) was introduced few years back. The comprehensive area covered by Value for Money ultimately opened a new angle to design and evaluate the entire process of procurement existing in the donor funded development projects in Bangladesh. Apart from this new idea, the scope and potential of price negotiation has been much neglected point in the sector. The efficiency and effectiveness of price negotiation session demands a scope for drastically changed environment in terms of procurement of goods in development sector of Bangladesh. The idea of implementing price negotiation within the scope of existing framework of procurement activities. In addition to that introducing emotion in the negotiation process can be a crucial one by considering the humanitarian background of the donor funded development projects in Bangladesh. Emotional

intelligence and effect of emotional involvement in a negotiation process have been much talked issue now-a-days all over the world. It has been observed in various research that to achieve the overall effective humanitarian logistics system emotion biased or driven price negotiation session is contributing a lot. The system is equally effective for both buyer and supplier as buyer has got opportunity to maximize the value added to the procured items and suppliers get guarantee of long term contract from the buyer as they comply with the all perspectives of humanitarian logistics system of a donor funded development projects. Donors offer their funds in a number of way the NGOs by forming a special project aiming some fixed targets and therefore, all the donors like to meet the expenditure through specific project where needs are vast and target oriented. Donor liaison function is very important for that kind money circulating through projects. There are some instance where it has been see that after successful completion of any donor funded project, it turned into a very different and separate entity to continue such services to the targeted people. It can be a very instrumental factor for such transition of project into a separate legal entity if ultimate value for money can be achieved by establishing effective emotion driven price negotiation sessions.

As many development projects are facing pressure due to reduced operating budgets from the donor, to respond to this challenge many developments organizations in the country have resorted to tuition increases which the development organization is hesitant to endorse. Others have focused on examining their business processes; including the procurement process performance in order to reduce institution's operating expenses. We all know that a procurement function is a process that covers the whole range of attaining the goods or services from various sources and to deliver the goods and services to its final destination or end users. It covers sourcing, managing contract management, ensuring storage facilities, crafting transportation routes and manages all the relationships in the entire end to end process. It involves analysis, planning, implementation, and measurement. It is the actual way the need from an internal customer is taken to the supplier and then back again to the internal customer whose need is then satisfied. The procurement process is a flow that crosses functions. Within the process, a network of activities takes place in an ordered way transforming the internal customer's need, to the internal customer's satisfaction. It is highly important for procurement process to become efficient and effective, particularly in public institutions of any government, it consumes resources as the inputs and transforms them into output. Emotion driven price negotiation can be fitted well in the process of such comprehensive procedure.

Again with the introduction of the procurement procedures in development sector one would expect an improvement in the performance of these institutions that we all widely recognized as capacity to carry out all procurement compliances. However, it is puzzling that these institutions such as development sector are locked in financial distress to the extent of failure to expedite at the beginning of the project or close prematurely before the end of the project closing, or experience inadequate supply of required items to operate within the project period. For instance, different project highly rely on the availability of goods and services that they used to carry out as their core activities or to maintain the smooth activities of the projects. The procurement function ranges from a petty expenses cause due to purchasing a set of writing pen to a huge cost caused by big construction work. Whatever the purchase is, purchasers need to purchase goods and services by following all the set standards of procurement that is set all over the world. Failure to maintain any of the standard may affect the project in a large scale which will also affect the ultimate benefit all project beneficiaries are told to get. Procurement is, therefore, strategically important to within project. However we find the primary data as discussed with various NGO in Bangladesh there is a constant stock out of most of the required items despite of procurement strategic plans developed and submitted by various departments to the purchasing departments. Most of these items range from laptops, publishing reports, printing paper, scarcity of toner, whiteboard markers, shortage of computers, cut off internet services and break down of printing and photocopying machines during/within the project period. This raises a question of whether the procurement process is carried out efficiently and effectively in development sector and here comes the point that introduction of value adding price negotiation process can contribute much.

## **1.2 Statement of the Problem**

With the knowledge of the different procurement processes in development sector including local or international Development Sector there was hope that the performance of these institutions would improve. However there has been a persistent dissatisfaction of internal customers of such organization making it difficult to carry out their functions. Some organization have had to close operations prematurely and others delay to open for new project or activities due to lack of required materials to operate. Even there are examples of running parallel processes by the procuring entity and the donor. If the procurement process is the actual way the need from an internal customer is taken to the supplier and then back again to the internal customer whose need is then satisfied then, this could be due to lack of efficient and effective procurement process

in these organizations. Poor procurement practices delays the development of the country and its communities and also hinder the deliveries of basic services of the communities. Funds that could be used for creating public wealth by building new road networks, acquiring advance health care technology, building new hospitals, bringing telecommunications to communities in remote areas and fulfilling many other pressing needs in the country used to correct inferior products and to settle high corruption cost. Therefore, as part of the continuous improvement in the procurement actions in the donor funded development process, emotion driven price negotiation process to achieve more and more value for money can be instrumental.

### **1.3 Objectives and Rational of the study**

The purpose of the assessment was to evaluate the potential and possibility of effectiveness of Emotion driven Price Negotiation to achieve best value for money for procurement of goods in the donor funded development projects in Bangladesh. The objectives are:

- To evaluate the existing instrument available in the procurement practices within the donor funded projects
- To assess the awareness on the idea of value for money and emotion driven negotiation among the user unit people- both procurement section and other technical sections
- To measure the scope of capacity building among the staffs who are involved in procurement process on value for money and emotionally connected price negotiation
- To rationalize the effectiveness of emotion driven negotiation in the process of procurement actions to achieve better value for money

The study will be guided by the objectives of effectiveness of the emotion driven negotiation in this sector and recommend possible solutions to the Problem. Moreover, we will survey within some leading development institutions and will find out how majority of responded indicated that emotionally connected procedure can work better and it helps to understand the ultimate goals of a humanitarian projects funded by foreign donor agencies.

## **Chapter-2: The Dynamics of Emotion & Negotiation**

### **2.1 Emotions: Some Basics**

In our life whether it professional or personal, emotions play an important part. But emotions continue to be a negative factor in many professional situations. Emotions are generally considered as part of our very personal matters, part of our scope that we hardly want to discuss in public.<sup>1</sup> Although we often discuss about our negative features of life, unsuccessful parts of our everyday communication, unfruitful meetings, closed negotiation results, etc., but not about the emotions that arise from these regular situations. As emotions emerge as very common part of our common life, we generally deny or feel unwillingness to discuss or disclose our emotions in front of others thinking that emotion is something which will prove us irrational.

Still the knowledge on emotion is very typical to us and we hardly come forward to break the boundary of that limited scope. We acknowledge emotions as part of our psychological state of mind but there has been a change in the attitude that all the emotions are deeply rooted in the very context of situations. We also often fail to connect emotions to be engaged in our life in a more effective way. Before the beginning of 21<sup>st</sup> century, there were two very traditional way of explaining emotions.<sup>2</sup> Specially, change has occurred in last two ages where researchers have worked very closely to find out the origins that may differ from our traditional thinking. In the emergence of neuroscience allowed them to think out of the box and the main focus has been on “strong emotions” that we usually connect with negative impacts. But numerous researches has already established the fact that there are differences between emotion and feeling. People often feel confused between these two and cannot really separate them. That is why, in this assessment we will first focus on the theories and then try to mark a line of separation between emotion and feeling.

### **2.2 Emotions: Combination of Body and Mind**

It is to be a mistake if we consider emotion just as the antithesis of reason. Positioning emotion as the opposite to reason cannot really sustain as in emotion, both body and mind are closely

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<sup>1</sup> Shapiro, D. L. (2002) *Negotiating Emotions*, Conflict Resolution Quarterly. 20 (1) 67-82.

<sup>2</sup> Young, P. T. (1940) *Emotions in Man and Animal*. New York: Wiley & Sons.

connected. Some say, they are equally connected as well. It is also told that in emotion, body and mind are much more engaged than those are feeling. But this appreciation cannot sustain, as emotions are in fact much more a combination of, or even a bond between body and mind. The bottom line of this discussion on emotion and feeling is the effect of emotional intelligence. The more emphasis we can put on emotional intelligence, more we can separate emotion from feeling and we can achieve more positive outputs from emotion. So, it is extremely important that we consider emotion with the effect of intelligence, not as a mere individual state of mind and body. However, the recognition of emotion with the mixture of intelligence create a sense of responsibility towards the overall situation and offer more scope of command over the issue where emotion can prevail.

### **2.3 Difference between Emotions and Expression of Emotions**

The sole idea of emotion and delivery of emotion should be separated as these two may vary culture to culture. The delivery of soft smile may stand for positive node in one culture but it may stand for denial in other culture. In this case, the delivery of any emotion differs as culture changes in every few kilometers and delivery of emotion finds different shape. Individual's position in a particular context also shape up the expression or delivery of emotion. Culture is the most powerful instrument to figure out any emotional expression-whether it will be sign of weakness or strength.

It is very natural that the expression of emotions will be inconsistent in terms of situations, especially on the intensity of the situation and how the situation has been triggered. Emotions behaves uneven with our assumptions about possible future tendencies. Experts opine that it is time to ignore the myth of controlling emotion which will work effectively for everyone. It would be very easy to find out the effect of emotion in difficult time but again difficult time appears with its various shapes depending on the psychological state of any individual person.<sup>4</sup> To avoid the uncertainty of this kind of expression of emotion, people use few techniques as precaution. The best way of taking precaution is to chalk out a clear route map of behavior and its systematic acceptance. It is to be made very clear in the beginning of the process that the process starts with individual and individual person ultimately receives the consequence of emotion expression.

## **2.4 There are No Positive or Negative Feelings**

As emotions further directs our behavior and attitude through an uncertain way, some negative or unfriendly emotions create danger in a well-organized atmosphere that eventually teach us to negate them straightway. On the other hand any positive or friendly emotion continue to create positive vibe in the atmosphere and further teach us how it contribute to the overall situation. Positive emotions also provide us lesson how objectives can be achieved and how specific targets to be fulfilled through positive emotion. In a sense, we can reach into a conclusion that whatever the emotion is, it should not create any negative feeling that may harm the result that is expected. When we are able to find the connection in between emotion and feeling, the psychological way of generating positive vibes starts operating in a positive manner.

## **2.5 Basic and Reflexive Emotions**

Basic emotions are known that we come across during the course of time and place of any happening moments. It's very natural to human behavior and that is what we survive through.<sup>2</sup> These kind of emotions are expressed through very common kind of facial exposure and these exposures all very same in different cultures and can be translated in a same manner all over the world. Common and basic emotions are characterized as –sadness, anger, astonishment, fear, disgust, sense of happiness etc.

As all these basic emotions are with us from our birth, these do not require any evolving or any other extra process to operate and hardly require any kind reasoning sense particularly. On the other hand, the additional emotions that are known as reflexive emotions such as envy, hope, insecurity, shame, guilt, pride, loneliness, and jealousy come out from a process that emerge from experience and what we perceive from others, especially from people around us. In first part of this kind of emotion, we remain stand still on a judgment about a person which is often pre-attempted. Secondly, the use of very common communication skills make the environment very easy to dominate as per that particular emotion. Then a convincing control over the situation is formed and maintained through the emotion. Obviously, any specific kind of shape that any

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<sup>2</sup> Cohen, R. (1997) *Negotiating Across Cultures*. Washington, D. C: U. S. Institute of Peace Press. <sup>6</sup>  
Potter, J. P et al (1997) *Negotiating Tactics*. Cambridge: Wyvern Crest Publications.

reflexive emotion takes is ultimately connected to other relevant experiences that contains the mode of differences in between which part of emotion to take or which part to delete. But known reflexive emotions are easily captured with the context of the situation.<sup>6</sup> For any negotiator, considering culture, situation, geographical context, the clear knowledge on reflexive and basic emotions are important to be aware of.

## **2.6 Emotions As Important Functions**

In a nut-shell, four core or basic functions of emotions can be identified:

### **Ensuring survival**

All the emotions are just the expression of our quick responses that we deliver with the context of situation. There is no doubt about the fact that emotion allow us to provide sharp feedback to others' response. For example, brain can receive and store quick expression against any opposite response even before the happening of the event. Within the range of very short period of time, pre-attempted emotional expressions provide us quick run-away from the situation and secure the best possible solution for us.

### **Decision-making**

It is proved that the emotional responses are faster than any response that follow reason and other basic human quality that work for our decision making. But considering the time span of few decisions, there no other alternative than emotion that can create the answer on behalf of us. Obviously, critical reasoning on any event requires time and decision making is delayed due to this. The problem is the myth we have in mind about a perfect reasonable decision. A lot of researchers already opined against the existence of any kind of perfect decision backed by perfect reasoning. All the decision we take is ultimately a product of the particular situation and the already set idea that is set in our mind well before the incident happens. So, the negation of the myth of perfectly taken decision followed by perfectly designed reasoning allows us to spare more space for emotion to plat its role.

### **Fostering learning and development**

The ultimate fate of human being is- everything is subject to decay, only memory remains and it keeps capturing the important event of every human life to influence our decisions based on the



emotions that are settled in light of experience and learning. Emotions' evolution through continuous learning and experience shape up our further assessment of situation and help us to react as per the demand of the context. It is to be said that no learning remains unpaid as every experience bears its own effect both positive and negatively.

### **Reinforcement of community**

Expression of emotions before a specific community also specifies one's state of mind as it needs respect towards that particular community. Our common expression of emotions then adjust with the particular scenario and it create a mutually respected soothing environment for all. The main idea behind this specific delivery before specific community is only to increase the trustworthiness of the delivery and result due to the delivery of emotion.

### **2.7 Emotions Are Costly**

Despite of all positive features, someone cannot allow emotion to dominate his or her state of mind all the way as they are not the best among the controllers of your decision and activities. Regular check and balance is required even after you decide emotion as an instrument to use in our everyday life. There are so many instances where emotion creates barrier to decide impartially and our decision remain complicated by using the effect of emotion. The consequences can be unpleasant for us if we fail to scan those before using practically. It is extremely required to remember that most of the emotions are deeply rooted in our day to day experiences and the effect of everyday emotion cannot be neglected.<sup>3</sup>

Emotions keep changing its effect and usefulness time to time and it continues to affect other's emotions as well. In case of strong emotions, our memory strongly recommend continuous filtering before the usage comes into practical field. Emotions change our view of the world tome to time and our attitude towards others' behavior. With the strike of a strong emotion, there is a stubborn period in which our memory filters our existing knowledge. In this situation, we measure all relevant components of the situation one by one and put such in a way that confirms a systematic expression of emotional behavior. The expression becomes more effective with the tougher situation. This means one mechanism that delivers us with positioning also stops us from

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<sup>3</sup> Harvard Business School (2003) *Negotiation*. Boston: Harvard Business School Press.

taking in new information. However, in intensified situations of encounter, for example, neither recourse is useful that are already used before. In general situation, the escalation of emotional behavior are hard to understood by the clients or by the owner of emotion.<sup>8</sup>

It's not very easy to maintain a fair distance in between emotional knowledge and experience. The process is sometimes very lengthy and difficult. But at the same time, it also remain bit easier if you express something else than your feeling by filtering the emotion before sophisticated audience. Therefore, we sometimes express positive feeling instead of not being very involved with the cause of certain emotions.

The effect of any particular emotion is not fixed or certain as it hardly reaches to our fixed day to day behavior. It is better to know the cost of every emotion regarding the situation- what we may lose if we fail to show the right emotion and what we may gain from the same.

## **2.8 Emotions: Beyond all measure**

Although culture remains one of the criteria to measure emotion but ultimately nothing rules convincingly over emotion. The thing we experience regarding emotion can be explain in following ways-

### **A) Emotions do not need a reason, at most an occasion**

Emotions are never depended on particular reason. In fact, no certain cause is determined to ant particular emotion. Separating the cause from the occasion is important as this separation finds a way out to certain positive consequences.

### **B) Emotions disappear from our perception – yet still remain**

The complete disappearance of emotion from our perception is not possible from our perception. A slice of emotion remains active in the very secret core of our perception. The consciousness and the subconscious alter with one another keep hammering our state of mind in different forms. One

interesting fact about the people who always nurture emotion in the core of the heart is an example of the fact that many people appreciate those people who are emotional and never hesitate to react as per the situation.

### **C) Emotions are interchangeable**

There are also instances that emotion hides its appearance if it fails to find out any reason behind the effectiveness of expression. Very often, emotions are in practice of changing their positions with one another only to reduce the heavy burden of one specific emotion. Although repeated expression of emotion turns out as heavy burden, it is easier to cross the barriers when interchange happens.

### **D) Emotions form chains and landscapes**

It would be unjustified if we decide to separate one emotion from another. As all the emotions derived from core of our heart, they maintain a route of connection and the connection route is a way where all the emotions are incorporated only to supplement each other. We often find a situation like that when we become shocked then make angry comments and finally feel ashamed for the comment. This happens because of the rational and comprehensive route of emotions where one emotion starts where another ends.

### **E) Ideas for Integrating Emotions in Negotiation**

The idea of integrating emotion in the process of negotiation can be a preferred model to resolve the confusion how emotion can create effective vibe in the process of negotiation. The following PAAT model, which researchers use as one of the effective models to raise awareness on emotion.

There are four steps:

P = Perception of emotions

A= Acceptance of emotions

A = Addressing of emotions

T = Transformation of emotions

The effectiveness of this model completely relies on the active participation of the user- how they express their delivery of emotion without any hesitation. The step by step instruction provided by

these four steps are found useful by the users as they clearly clarify the process with cause and effects.

The inclusion of emotion in the study of psychology has extended a new view to its range and scope. One of the focus of this inclusion is that it gives emphasis on other's opinion and stand point on the same view. Mentionable advances in negotiation study has already been achieved by acknowledging the influence of all cultures and their particular expression of emotion that implies straightly to the strategic planning of using emotion in negotiation process.

## **2.9 Affect in Negotiation: Mood and Emotion**

It was in the late 1990s, when the area and scope emotion was rediscovered and it added further color to its range as negotiation started to improve its position in every business haggling in the corporate world. People also started to consider negotiation as basic human factor that can draw conclusion to a conflicting point. But there is no way we can deny the differences between particular mood in emotion and its expression. These two are different by their own attributes and effect they can make on the overall situation. Moods are considered as affirmative state of mind that can be easily identified with the target oriented expression of emotion.<sup>4</sup> Sometimes, we don't need to direct emotion, it itself directs towards the stipulated target. As we mentioned earlier that we own different kinds of emotion inside us depending on the mood of the very situation, positive mood in emotion create further opportunity to add value and negative mood in emotion often shuts down the path of further improvement. Both positive and negative mood in emotion then truly represent a person with positive emotion and a person with negative emotion. Positive mood in emotion certainly creates sense of mutual cooperation and possibility of agreement. At the same time, negative mood in emotion mostly create self-centered situation where flexibility for further development remains a far cry.

One big problem with positive mood in emotion is that it often operates with low tone and people miss the effectiveness of that mood as negative mood operates with more rigorous note that create more energy and vibe in the situation. It is a normal attitude for all human being that they own more space for negative circumstance than the positive one. Moreover, as positive tone requires a stipulated time to resolve an issue, people often become impatience and leave the hope within

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<sup>4</sup> Fisher, G. (1980) *International Negotiation: A Cross-Cultural Perspective*. Yarmount: Intellectual Press.

short period of time. But most observation reveals that though positive mood in emotion is bit time consuming, it finally creates positive results that also opens up space for future collaboration as well. On the other hand, negative mood in emotion damages the cause and effect of reason and possibility of long-term collaboration is being hampered.

Research conducted so far on emotion driven negotiation projects that emotion play a vital role to build and maintain social and business relationships even though these relationships may require different framework and different structural way of critical reasoning.

## **2.10 The Management of Emotion & Negotiation**

Although emotion controls a big part of our state of mind even in the critical situation, systematic management of emotion is very much possible. One very important point made on emotion is that expression of emotion should not be hide and creating a smooth flow of emerging emotion very often create trustworthy and flawless environment for emotion to play its part. Hiding or removing the effect of emotion may bring opposite result as common scenario can be someone is expressing something else that what he or she is actually thinking. It also may create inconsistent flow in the situation and it becomes hard to solve the topics one by one. At the end of the day emotion works as the management of feelings that is expressible in front of others.<sup>5</sup> All types of communities agree on the fact that despite of the differences creating flawless path for emotion remains the same in every culture. For example, when someone is awarded with any recognition, the expression of emotion given by that awardee will be more or less similar in every different culture. This happens because some part of our brain stores some common expression. The history of mythology and theory of structuralism also confirm this statement. In common manner, emotion expresses what he or she feels inside. There is filtering instantly, therefore, surface expression hardly differ inner feeling. The display of emotion directly projects what is happening inside. This is the area where management on emotion is required to chalk out individual management as per individual emotion.

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<sup>5</sup> Lucke, R. (2003) *Negotiation*. Boston: Harvard Business School Press.

## 2.11 Strategic Emotion and the Negotiator

Masking one emotion with another is known as the part of strategic emotion management. Someone may mask one positive emotion with another positive mask or he or she may mask it with a negative mask. In most of the times, this type of masking is used to create an initial positive environment for opponent and lend some time to figure out further plan to use the effect of emotion in the meantime. This technique is also used to warn the opponent in a positive manner. The whole process of strategic emotion primarily focuses on basic, control, regulation and practical experience gathered on emotion. Most of the successful strategic emotions require accurate assessment of the emotional needs and efficacy in deploying the strategy.

## 2.12 Individual Differences in Emotional Expression

### A) Affectivity

Individual tendencies captured by the emotions are also work in two parts that can be divided into positive affectivity and negative affectivity. There different sub-sections of these two bigger parts. As per expert opinion, individual with very high positive affectivity automatically turns any situation to a happy-ending one. It is like creating opportunity from nowhere. On the other hand, individual with high negative affectivity misuses opportunity as their expression of passionate negative emotion makes the environment gloomy. One of the opposite attributes of high negative and positive affectivity individuals are both these group are highly awkward in opposite scenario. People from both these groups preserve very little option to adjust with a new condition under any new circumstances. Change of behavior and expression of emotion hardly happen. Both of these people remain unusual and even unfruitful when conflict-ridden moments arrive and demand immediate action from the individual. This loss of opportunity is very common ambiguity one faces during high pressure emotional moments.<sup>6</sup>

### B) Emotional Expressivity

The idea of emotional expressivity projects how a calm and cool person who can also be identified as stable regarding psychological point view will react with the situation where expression of

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<sup>6</sup> Donaldson, M. C. , Donaldson, M. and Frohnmayer, D. (1996) *Negotiating for Dummies*. Foster City: IDG Books.

emotion can be explicit. The measuring scale again fluctuates between high to low as before and the rate of fluctuation is very mention worthy. Problem with this idea of emotional expressivity has been failing to develop a rational concept based on past experiences. As the dimensions are multiple, a common scale bearing all the multiple ranges was necessary to have proper measurement. This incorporation was missing and that is why separating one emotion from another very close emotion was very difficult as well.<sup>7</sup> A clever smile while proposing an offer to make a deal with opponent often make the situation ambiguous for other party. Although emotional expressivity is there but the measuring tools and measures are required to reach up to the goal with own position.

### **C) Emotional Intelligence**

Emotional intelligence (EI) is theorized with four basic components like- feeling the emotions, using emotions to facilitate critical thinking, understanding the emerging point of emotions, and managing emotions fruitfully. The first two basics are known as Experiential EI; the last two basics stand for Strategic EI. Strategic EI basically deals with the information gathered from experience, analyzing the information flow, defining the progress of the usage of EI and setting reason behind every logical EI expression. However, managing emotions define the individual capability of managing and regulation emotions in terms of emotional intelligence. It is obvious that strategic EI will be connected to strategic emotions but it directs to both high-end and low-end while the usage of EI becomes crucial. The focal idea is that when someone is at the high-end of EI that means owns satisfactory control over EI, the usage of EI is quite fruitful. On the other hand, when someone is at the low-end of EI, the usage of EI may find a wrong way to solve the problem. The wrong use of EI may also bother the opponent and can be proved time-wasting instrument.<sup>8</sup>

### **D) Self-Monitoring**

Self-monitoring is considered to be the most effective individual attribute one can have in the process of emotional intelligence. Self-monitoring is the instrument through which people plan, do, monitor and review all actions that are by product of emotional intelligence. It is to be noted that the process of self-monitoring is very structured and also very tight. The process also depicts necessary measures of risk management for the usage of emotion. Research suggests that

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<sup>7</sup> Lax, D. and Sebenius (1986) *The Manager as Negotiator*. New York: Free Press.

<sup>8</sup> Raiffa, H. (1982) *The Art and Science of Negotiation*. Cambridge: Harvard University Press.

emotional self-control is significant to understanding the relation between expression and self-monitoring.<sup>9</sup> High-ranked participants in the self-monitoring process are considered to be best in managing and monitoring emotional effect. Emotion-driven behavior that are always kept inside by the participants of the process ultimately features the inner strength someone owns from the very beginning. This kind of control also displays the range of behavior one can handle and spread among others. The major separation is between the expression and the range to be handled. The practitioners of this sector may explore the possibility of managing strategic emotion by using the mechanism of self-monitoring and it may prove as the most valuable step in the area of strategic self-monitoring itself.<sup>10</sup>

### **2.13 Strategic Use of Emotion and Self-Monitoring in Negotiation**

The systematic use of emotion through self-monitoring in one of the tactical ways of strategic use of emotion in negotiation. Control over one's emotion is highly required to use emotion strategically, otherwise, the attempt will fail tremendously as self-control is the biggest part of self-monitoring. The process starts with determining some measures for the process, then scaling up the plan step by step, the executing the plan and finally monitor and reviewing the actions. Lesson learn from one process is equally important for starting one new process after one successful process. But the participants should know clearly about the influential measures that deserve more attention than others. A pre-planned language of emotional may create problematic attitude for others. It is to be noted that a true positive emotional expression focuses on target and never stop eyeing on the target.

But it is also important to prioritize the list of emotion where influential emotions to be ranked high. It is understandable that due to the wide range of the emotions, classification is required. Although self-monitoring is an individual's characteristic, the participant must be adequately educated and made aware of the emotional back ground the particular negotiation scenario.

Again, self-monitoring frequently sheds light on the self -control to project the importance of emotion driven negotiation with the effective use of behavioral framework. However,

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<sup>9</sup> Craver, C. (2002) *The Intelligent Negotiator*. New York: Prima.

<sup>10</sup> Symonds, P. M. (1968) *The Ego and the Self*. New York: Greenwood Press.



explanations reveal that it is as important as the outcome to set the real tone of emotion and there are opportunities where emotion related attitudes are also significant.

### **2.14 Cultural Influences on Negotiation**

The participants in negotiation process frequently raise their concern about miscommunication and misunderstandings that happen on the negotiating pie distribution. If we consider the social influence, it automatically talks about cultural influences or social influences. Here social influences resemble cultural influences. Cultural influences become important in the negotiation process as when emotion takes away the whole attraction of the process. Culture differences operate in two ways- vertical and horizontal and they operate side by side. Social norms and traditions provide the shape of entire vertical portion and on the other hand, power inherited from social norms specify the character of horizontal portion.<sup>11</sup> Through the growth of social courses, culture continue to govern the origin and expansion of individual's emotional experience. As Culture delivers an important explanation for different patterns of emotional expression, it becomes equally important to understand the effectiveness of the expressions

### **2.15 Concluding Remarks**

The chapter bears the basics and beyond basics characteristics of emotion and negotiation. In most of the time, discussion continues to evolve side by side. This idea of side by side discussion adds the texture of comparative pictures of emotion and negotiation. The discussion also covers all the influential factors behind emotion and negotiation, especially the introduction of mood, feelings and the process of critical reasoning gives the whole chapter a comprehensive look in terms of emotion and negotiation. Considering negotiation as a fascinating area a conclusion can be drawn by giving equal treatment to emotion and negotiation, we find that a good negotiator equally deals with strategic emotion management and the effort to increase the positive influence on positive expression of inner feeling.<sup>12</sup>

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<sup>11</sup> Galeman, D. (1996) *Emotional Intelligence*. London: Bloomsbury Publishing.

<sup>12</sup> Hindle, T. (1998) *Negotiating Skills*. London: Dorling Kindersley.

## **Chapter-3: The Idea of Value for Money (VfM)**

### **3.1 Preface**

The idea of value for money (VfM) and its influence has been very huge in the development world. The impact is so huge that though it was introduced for the donor funded development projects in the third-world countries, its range crossed the initial border and been used for any kind of project spending as well. Although this idea was first introduced by UK Department for International Development (DFID), soon the idea was accepted by the other donors. If we consider the time span of this idea- from its beginning and worldwide acceptability, the idea is still considered as one of the newest in the development world. The idea of value for money brings a ray of hope in the scenario and is influencing the donors to contribute for the bringing the social changes for sustainable future. First it was thought to be implemented among the grantees who receive millions of dollars from various donor agencies that are both national agencies of some developed countries and few UN organizations. But the wider scale and scope the idea holds, soon made the strategists to think and implement it among the donor agencies as well. But just like other ideas, it is not without challenges, rather challenges are very critical. The biggest challenge is the knowledge on the idea of value for money. The compilation of 3Es- Economy, Efficiency and Effectiveness seems to be critical as none of these issues were discussed all together previously, especially on such a large scale. These three issues were discussed individually and contains meaningful diversified explanations from various perspectives but they hardly stood for anything all together before the idea of value for money (VfM). The chances of being explained and understood from a narrow scale is another challenge. Moreover, the actual explanation for each of these component changes frequently with the terms of situation and circumstances. There is no doubt about that the term is complex but learning it by breaking or separating the components part by part, helps the idea to be understood clearly.

### **3.2 Current Focus on Value for Money**

The increasing awareness about the idea of value for money is very much noticeable around the world as all the major donor agencies are putting emphasis on the issue. Reason behind this increasing focus is due to the large range of explanation someone can cover with the idea. The idea is robust and comprehensive at the same time. Right from the beginning, the focal points of spreading the idea have not been changed. The first and foremost focal point is to define and

collect the book of knowledge on the idea. Almost all the donor agencies have published their definition and explanation of value for money (VfM) through both soft and hard copy publications. Although all the basic ideas are pretty much same, every individual took the freedom to explain more in terms of their definition of development. But the problem about the book of knowledge is they are not organized or not stored in a specific portal and as they are defined by every individual donor, it is little hard to match the ideas. The second focal point has been capacity building on the idea. Due to the complexity of the idea, there are very few trainers or documents that can help you to raise your capacity on the knowledge and the practical implications of the idea. The modern development world through donor funding is lacking the easy to understand documents in this regard. The final focal point is the last thing we need- the practical use of the idea in the field which will be coming out from the effectiveness of money spending in the development projects.

The current monetary climate in the developed world is one of the reasons behind the emphasis we are trying to put after value for money. As we all know that the money spent as donation by the agencies are all tax payer's money from respective countries. Every government must submit the report on proper usage of that money to the tax payers whenever it is required. So, it is highly important that every spending must go to the right way and should be used for a right cause. Experts found the idea of value for money a very good instrument to ensure proper use of money through proper channel and for proper humanitarian cause. All the donors want to ensure maximum usage of their money. Following the footsteps of DFID, other big donors like- USAID, World Bank, UN Development Agencies started to use the framework of value for money, therefore, it has become very important for the grantees to understand and practice functionality of the idea.

### **3.3 Basics: Value for Money**

Although Value for money is used frequently now a days but not very often it is properly understood. The very basics of the idea can be put in a rather simple way as defined by the UK National Audit Office (NAO) which defines value for money as, the optimal use of resources to achieve the intended outcomes'<sup>13</sup> and identifies economy, efficiency and effectiveness (the three E's) as the core instruments of establishing it.

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<sup>13</sup> Nelson, N. and Wright S. (1995) *Power and Participatory Development: Theory and practice*. London: Intermediate Technology Publications.

- **Economy** refers to the costs of all the activities that covers both services and items of an intervention
- **Efficiency** refers to output in relation to the input we accelerate. The idea is about maximizing the output in terms of used input.
- **Effectiveness** refers to the rate of efficiency a project or program how achieves and its effective usage.

While talking about the value for money, it comes to anyone's mind that it is a balance among spending justified cost, practicing the right way to deliver the deliverables and finally finding the long-term solution to fulfill the target. Although the simplest way to put it like- combination of Economy, Efficiency and Effectiveness, the above statement can justify the idea in a more explainable way. To clarify the idea in an easy way, example can be put in a way- if any organization decides to reduce its staffs only to achieve the better economy, then the reduced numbers of staffs fail to deliver the expectation, it is certainly not a value for money friendly practice. At the same time, running cheap activities or low cost activities will not support the objectives of value for money idea. In this case, right-sizing may be a good vocabulary in terms of VfM. Engaging adequate numbers of staffs- not more or less than necessary to achieve the maximum value through an effective way to ensure long-lasting solution or service would be a perfect example of good value for money practice. The thing can be put in other way- obtaining the right product or service in a right way to achieve right ultimate result is the idea behind good value for money practice. One very crucial norm of the practice is using the right and trustworthy data throughout the process. Most importantly, it is very significant to find the right or customized framework of value for money for each initiative individually. It is no surprise that the framework will vary initiative to initiative though the theoretical skeleton will remain same.

### **3.4 Value for Money: A Proposed Framework**

#### **A. Managing for value for money by putting the right processes in place**

The proposed framework of value for money (VfM) more or less resembles the practices of good corporate governance. Similarity can also be found with agreed good management system of a good sustainable process. To put it in the easy way- having standard procurement guidelines and sound financial system is not enough to achieve good value for money, rather it is also important

to have an result oriented monitoring, evaluation and learning system in place as well. The monitoring system must accommodate the measures to assess all the trgets related to the activity's beneficiaries.

### **B. Comparing value for money to drive improvement and inform decision-making**

One of big gap considered in the process of good governance is that often decisions are taken based on nothing. While decisions are not supported by data and analysis, it becomes a matter of time to observe the failure of the objectives. Many personnel from the higher authority likes to take decisions based on their will and power they own inside the organization. In addition to that running after the ultimate dream without analyzing all the facts and figures only to chase the dream is bound to conclude into failure. The importance of data the and clear process of collecting those data and analyzing them with recognized applications are very important or can be identified as most important instrument for taking decisions. All the data we get from the framework of value or money should play the most important instrument for decision making and thus it can improve continuous process of developing fair decision making procedure.

### **C. Demonstrating value for money through evaluation**

There should more than one evaluative methods to make all check and balances in the program. Depending on only one monitoring and evaluation method is not enough to figure out the real result through data analysis. Only after analyzing the data through different models can assure the effectiveness of an initiative as value for money worthy initiative. It is very interesting to know that the result of any initiative through VfM framework can be analyzed by assessing Return on Capital, Return on Asset, and Return on investment etc. just like the analysis of profit oriented business world. Obviously, all these should be analyzed remembering the social factors. The value for money framework brings an initiative of humanitarian effort very close to the practice of modern corporate world that resembles most of the measures used to assess the success rate.

### **3.5 Value for Money; Table-like Approach**

There are many definitions of VfM, used by different donors and agencies with little agreement on which one to use, but broadly they center on the right use of resource with right amount of effort to achieve the most result in a right way. The New Economics Foundation (NEF) defines VfM as

the relationship between inputs and outcomes across public services. Donors, in its recent review has highlighted that results, transparency and accountability are key in ensuring value for money.

Within the various discussions, it is clear there are three different levels at which we need to consider VfM, often	Buying inputs at the right price	This is generally covered by procurement regulations reflecting whether competition in the market is	<i>Buying at the right price</i>
referred to as the 3Es – Economy, Efficiency and Effectiveness. These record somewhat different aspects or elements of VfM. (The way these are inter-changed across agencies and disciplines at times contributes to confusion, and underlines the fact that the concept of VfM is still evolving.) <b>Economy</b>		delivering goods at the best price possible.	
<b>Efficiency</b>	Ratio of Inputs to Outputs	Measures economic efficiency using prices to compare two or more methods of producing the same output (Cost Effectiveness Analysis)	<i>Doing the thing right</i>
<b>Effectiveness</b>	Achieving our purposes (focus on outcomes)	Costs the inputs and gives a value to the outcome to compare the rates of return ((social) cost benefit analysis)	<i>Doing the right thing</i>

However, throughout the discussions, the only common thing all definition providers agree is that value for money is not about achieving the lowest cost at all ; rather discussions around VfM means we have to focus on how we maximize outcomes for the community and the environment.

### **3.6 Conceptualizing Value in Value for Money (VfM)**

In this framework, the first E economy stands for standard procurement practice with recognized compliance, the second E efficiency stands for reliable way of deliver the deliverables, and the third E effectiveness refers to the right usage of the outputs which will be convenient for the beneficiaries. One of the finest features of this concept is it works in both quantitative and qualitative way. It is also observed that powerful stakeholders of modern day business conceptualize the framework of VfM for their sound business operation to ensure sustainability. In addition to that the framework of VfM is also used to assess the current operation of an organization to figure out the future operation by finding the areas to rectify. Although expert also opine that the affectively of VfM can only be measured under a relative situation, the framework is less effective solely. But the contribution VfM makes in terms of accountability and transparency, it ultimately proves the result defining role of the framework.

### **3.7 Measuring Value**

It would be a mistake if we decide to measure the value of value for money concept only based on the end line result. The base line result would be the basic and the most important point to start with. There would be difference between expected outcome and achieved outcome. To fill the gaps in terms of these issues, changes the tool and system to be changed as per the nature of the value itself and adjustment to be made very often. We do mistake to measure the value in terms of the amount of new deliverables handed over to the beneficiaries. We fail to understand the effect of quality of the effort. Number itself is not important, rather the quality of the number is important. We will all agree that it is easier to measure some aspects but the difficult aspects will make the result true and trustworthy. The ultimate burn rate of fund that all NGOs or implementing organization get in their hand, should not be the measure of assessing the effectiveness of the VfM framework. The measures we can get easily are less important to figure out the complete picture.

### **3.8 Tyranny of Indicators**

Considering the development issues all over the world by measuring soft cum social issues, debate continues on the proper way of analyzing raw data collected from the user groups. Clearly there is a difference between data collected from internal stakeholders and external stakeholders. The mostly agreed reason behind these differences is the different viewpoints of the stakeholders. What is most important data for an internal stakeholder is hardly same important to the external stakeholders. As the importance differs with the beneficial point of the outcome, stakeholders like to evaluate the measures in different ways. External stakeholders often like to follow and develop forecasts on the outcome but as the mostly agreed true about forecast is no forecast can be absolutely right, the result achieved against forecast is often very frustrating. Moreover, there is a gap in the development culture to develop measures considering the target and nature of the program. The measures developed for a particular program lacks the effect of situation and demand of the situation, therefore, ultimately fails to represent the real achievement. On the other hand, internal stakeholders understand the situation better than the external as they face the odds and beneficial outcomes more directly. This problem due to the soft indicators was also agreed in the ODI meeting held on VfM<sup>14</sup>. It is also understandable that no fixed framework to measure the effectiveness of VfM would work as the every individual program or NGO operates with its own situation and they have their own process of managing the activities. After long debates and discussion, it is mentioned that it is good to develop different innovative measurement framework for every individual program or NGO. The implementing organizations should be encouraged to develop their own measurement system to figure out the VfM practice. This is how, development world can deny the tyranny of some fixed measures.

### **3.9 Target Group of Value for Money Concept**

Another very important point on VfM practice is who would be the core stakeholders for this practice. In general sense, we can divide the groups in two groups but eyeing to a specific group of people demands more analysis and concentration. Moreover, the way of defining value is also very different to separate group of people. Focusing our concentration to two major concepts- accountability and participation may offer us more space for thinking to solve the debate.

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<sup>14</sup> Barnett, C. et al (2010) *Measuring the Impact and Value for Money of Governance & Conflict Programmes*. ITAD, Final Report. December 2010.



### **A) Accountability**

The concept of “accountability” stands for realizing, practicing and distributing the ideas of responsibility all over the board. The implementing organizations or NGOs have that responsibility of accountability in different layers. First of all, they are primarily accountable to the donors or source of fund. Few private source of funds may also involve in this first layer of accountability. Secondly, the beneficiaries or participants of the program or project is the second line of accountability. The target group of the is often considered to be the most important accountability line as the well-being of that particular group is the ultimate target of any donor funded project. The third line of accountability goes with the auditors, reviewers and others who scrutinize the outcome and operations of the project. Whatever the line of accountability is, it is important that the role of accountability to be understood multi-dimensionally.

### **A) Participation and Moral Obligations**

One of the common characteristics of development projects in Bangladesh is the baseline survey hardly captures the opinions and views of the target beneficiaries and it directs the whole project to a massive failure. If the opinions and views are taken at the very first stage of the project, the sense of accountability can be formulated to other parties and it creates an environment of mutual sense of accountability. The structure and idea of VfM practice can be verified from the active participation of the target beneficiary group and it enhances the chance of becoming a successful project through participation.

### **B) Participation for Effective and Appropriate Interventions**

One of the effective interventions to ensure VfM right from the beginning is to involve the local stakeholders in the early stage of the program. There has been instances where program failed only due to the failure of understanding the participation of the local groups. Innovative idea to implement the project activities can be chalked out to make the program successful by taking local partners’ opinion. Only local stakeholders can offer cost effective but efficient and effective solution to deliver the goods or services under the project in a better way by measuring the impact

very early through their experience. This activity of engaging more stakeholders is called greater stakeholder inclusion.<sup>15</sup>

### **3.10 Measuring VfM**

To find a proper answer to all the queries on VfM, a significant numbers of assessment system or techniques have been tried. Few common features of these techniques are- long term effectiveness, no compromise on the quality, ability to find out every barrier individually, the ability to figure out the overall framework of VfM. The data and information remain the biggest source of the measuring VfM from any aspect. But it is to be in mind that cost interventions should not be only low cost delivery of the deliverables. All the cost centers to be broken into sub-parts so that overheads can be calculated and separated from the output cost. After the cost, selecting the beneficiary criteria appears in the scenario as first priority. The criteria should be aligned with the ultimate objectives of the program. Otherwise, the focus on the achieving the VfM will never come into the account as objectives and design of the project stand out as separate characters.<sup>16</sup> Numbers are important to achieve VfM but over-concentration on numbers sometimes hampers the focal objective. Although it is not arguable that quantitative method is more powerful and effective than the qualitative, analysis must concentrate on the quality as well. Furthermore, VfM is all about the competitive information we collect and evaluate. For that complete and comprehensive data of similar programs to be in hand to show the comparative picture. However, the final number we get out of all small information bunches is obviously greater than other comparators. In that case, real VfM can be achieved if the quality of delivery is maintained. It takes years to achieve a trustworthy and effective project activities to be established. To establish such VfM worthy activities, the idea of taking pilot projects can be useful. So, it is agreed that the process is time-consuming.<sup>17</sup> Comparing a project with a complete failure project may also problematic as poorly design project never comes out as a VfM worthy successful project. Designing the project to be a VfM worthy one will be the best idea right from the beginning will help to nurture the idea of VfM. Moreover, it is important how the implementing partners and donors both want to see how the value is defined. Certainly, the success of VfM practice depends

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<sup>15</sup> DFID (2010) *Mitchell: Aid agencies to focus on Value for Money*. DFID News Stories 23 December 2010

<sup>16</sup> Brett, E. A. (2003) *Participation and Accountability in Development Management*, Journal of Development Studies, Vol. 40, No. 2, pp. 1 – 29

<sup>17</sup> Ebrahim, A. and Weisband, E. (2007) *Global Accountabilities: Participation, Pluralism and Public Ethics*. Cambridge, UK: Cambridge University Press

on the widely disseminating information and its effectiveness. There is debate on the steps of achieving and measuring VfM but three observations are common in this regard. Firstly, the overall VfM framework introduced by the donors and other regulators to be addressed by understanding it through proper capacity building on the issue. Secondly, the active participation in the process by the beneficiaries cannot be limited; they are to be involved and educated on the issue. Thirdly, the early engagement of the stakeholders in the designing process of a VfM worthy project to be addressed through innovative initiatives to ensure good VfM.<sup>18</sup>

### **3.11 What is the Value of VfM?**

Generating systematic debate on the value of the VfM practice is still a challenge. There is a common practice in the procedure that donors only instruct to achieve VfM but put less emphasis on the capacity building. Many others think introducing VfM is just another brick on the wall of difficulties in the development work. In addition to that change in the future authority either in Donor or implementer can change the focus. Thus, the ultimate value of the VfM practice keeps continue to change or rotate. This is clearly an exclusive barrier regarding the VfM practice is that most of the challenges have not been explored further till today.

### **3.12 Concluding Remarks**

Discussing on VfM and its rising and current status, the issue is still a burning one which is yet to be explained as per situation and condition. To a large extent, VfM aims to enhance the quality of deliverables of a project which impact will last for long time. The open-endedness of the debate offers a unique opportunity to explore the confusing areas of value for money to link it to the overall development framework.

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<sup>18</sup> Cooke, B. and Kothari U. (2001) *Participation: The New Tyranny?* London: Zed Books

## **Chapter 4: The Role of Procurement of Goods in the Donor Funded Development Projects in Bangladesh**

### **4.1 Preface**

In Bangladesh the term donor funded development project activities are widely spread. Literally development sector is well known as Non-Government Organization, popularly known as NGO that provide support to different deprived group of people who are targeted. In most of the cases, these organizations receive foreign aids donated by various development partners of the country. These foreign aid distributors are widely known as Donor Agencies. Recalling a definition from any Social Science dictionary will define these types of aid recipient organizations as the instrument that works for public interest. Such organizations are established to fulfill some social and to somewhat economical purposes. In other words it is stated that Development sector is a framework where a group of people work to serve mostly as charity or to initiate specific program to uplift the conditions of the deprived or under-developed people. Development sector mostly works as an independent entity but it remain in the overall framework of the country. The book "Social Welfare Legislation in Bangladesh" mentions, "A broader definition of development sector refers to associations voluntarily formed by individuals for the purpose of rendering welfare and development services outside Government structures; drawing funds from national or international sources; and functioning within the legal frame work of the country."<sup>19</sup> The above statement clearly clarifies that development sector works with those organizations, which are directly or indirectly even more or less involved in people's welfare oriented activities.

According to the evidence obtained from various sources, the development sector spends huge amount of foreign aids. The department of procurement in every donor funded development project is represented at senior management, donors and government level and report directly to the higher management with a procurement guidebook. The purchasing department owns a mission statement that normally highlights total quality management and or customer satisfaction.

As Procurement shares the largest portion of the spending pie of project besides wages, it is, therefore, a very key area to be observed to achieve good governance. Development initiatives or

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<sup>19</sup> Collis, D.J. and Montgomery, C.A., (1995) *Competing on resource: strategy in the 1990s*; Harvard Business Review, vol. 73, pp.118-28

projects take the obligation for spending donor country citizens' money transparently for the sake of national and international interest. At the same time, standardized procurement process can ensure quality and timely delivery of goods and services. Procurement also takes the role of implementing instrument to set huge infrastructure related spending as well. There are some projects those are only designed to meet up the necessity of heavy procurement initiatives.

Because of the involvement of large amount of money, justified and standardized procurement practices in the development projects ultimately bears heavy responsibility and influences as well. Just like the volume of the projects, the importance of well-designed procurement policies are also heavily required in Bangladesh's development scenario. Procurement policy and practice should fully support the objectives of the development project in Bangladesh. By carrying out the expected procurement activities, all projects starts channelizing the flow of fund to achieve the target of the project. Although local purchases and overseas procurements both are important, effective procurement actions can mark the consistency between spending an achievement of any project in the least developed countries (LDCs).

Development projects' procurement even encourage social protection, social safety net initiatives by setting proper conditions in the policy to make sure its role to improve the overall business environment. It can create soft but useful job environment that are decent.<sup>20</sup> Last but not least, projects can also encourage to ensure environmental protection by practicing green or environment friendly procurement practices to achieve sustainability. The aid agencies are capable to role a play to change country's resource distribution and payment systems.

Most importantly, a mixed approach of using country procurement systems and door agency suggested procurement policy in the development projects in Bangladesh can significantly change the usefulness of foreign aid in the country. A research based on the Paris Monitoring Survey identified that when donors are in total control of the procurement process of the project, most of the spending go to the forms belong to the agency country.<sup>21</sup> Big corporate houses or different

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<sup>20</sup> Mahmood, S. A. I. 2010. "Public procurement and corruption in Bangladesh: confronting the challenges and opportunities". *Journal of public administration and policy research*, vol. 2(6), pp. 103 – 111.

<sup>21</sup> Institute of Governance Studies 2010. *The State of Governance in Bangladesh: Entitlement, Responsiveness, Sustainability*. Dhaka: BRAC University.

business groups continue to build pressure on the authority to award the big contracts to agency country companies.

It has also been observed that donor agencies often confuse between the objectives of the project and commercial opportunities available for the country sellers. Amalgamation of donor's procurement system and the User country procurement systems ultimately holds the potential to boost up the overall environment to ensure procurement standard and achieving the targets of the project at the same time.

#### **4.2 Procurement Process Reform for Donor Funded Development Projects**

As per the Paris Declaration and the Accra Agenda for Action, the grant recipient country is eligible to use their own procurement policies and make changes in the policies as necessary. They are also allowed to bring necessary reforms and changes by engaging proper resource and organizing enough capacity building initiatives. Donor's part is to keep assisting the partners to implement whatever reforming process they initiate.<sup>22</sup>

For almost all vast and wide procurement reforms initiatives taken so far, The World Bank performed as the lead agency to light the fire. Back in 2002, the World Bank kicked-off the pilot project for that kind of reformation titled- Country Procurement Assessment Report (CPAR), which solely concentrated on its own process and practices of procurement. The concluding report out of CPAR placed the needful to be done. As per that report, all implementing organizations should:

- create a Central Procurement Policy Unit responsible for procurement policy, rules and procedures,
- increase the transparency of the procurement process by introducing a review mechanism, and
- make contract awards above a certain threshold public.

One big issue with the procurement policy in the donor funded development projects are they never really express the correct ownership of the policy. On the other hand experts showed the reason that all of these policies are developed by experienced consultants and experts but they

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<sup>22</sup> Ellmers, B. 2011. "Helping or hindering? Procurement, tied aid and the use of country systems in Bangladesh". Voices for Interactive Choice & Empowerment (Voice) and European Network on debt & development (eurodad)

neglected the part of ownership by overlooking the part of the participation from the users group of the policy.

#### **4.3 Donors' Parallel Procurement**

The first priority in the donor funded development projects is to use the existing procurement policy and practice if it matches the standardized procurement regulations and compliances. But the reality is many donors still feel comfortable with their own policies and they highly recommend to use that policy. At the same time, pressure has built to use the country's own rules and regulations of Procurement. To avoid the conflict, now a days, most of the donors choose to use a joint procedure which is widely known as Parallel Procurement. The Paris Declaration and the Accra Agenda for Action also contain commitments for donors regarding their parallel procurement systems. These include:

- aligning their procurement policies in order to reduce the administrative and operational costs for all players involved,
- decentralizing the procurement; moving to the capabilities of local partners, and
- making continued progress towards effective use of aid.

As Bangladesh have to maintain aid relationships with a large number of multi-functional donors, it is absurd to think that all of these policies will be similar to place them in one shelf. This lack of unity among the procurement policies put the overall project activities in difficulty. Results are available that a significant numbers of projects failed in recent past only due to the lack of that harmonization.

It is thoroughly recognized that procurement and sourcing decisions have a massive impact for development world. Procurement spending stands for the majority of expenses in most of the development projects. To align the overall scenario, it is important that local implementing organizations develop their own procurement guidelines that reflect standardized procurement regulations. The World Bank mentions pre-requisites to its project documents in advance so that all parties involved in the process remain at the same court and flow of information equally flows to all parties.

#### **4.4 Why Procurement in Development Projects Matters?**

In broader sense, the meaning of Procurement is not limited to delivery of goods or services to the targeted group of people in all levels. The surrounding of Procurement practice also initiates business environment and job creation in the local levels. It is more or less an instrument to spread the idea of entrepreneurship alongside of sustainability. When an organization starts spending on procurement, it not only generates revenue, it also starts utilizing the fund through the channel. Procurement can also play the role in the process of social safety net program where stakeholders may find their places in the process as active participation. .

#### **4.5 Strategic Context of Donor Funded Project Procurement in Bangladesh**

The beginning points for donor funded project's procurement activities in Bangladesh are Policy Consequences set by the donors. Donors develop strategies as per the holistic policy to achieve the targets and it involves massive and effective operational activities to reach the target point. It is not always happen that procurement directly contributes to the operational activities in terms of economy but it certainly contributes to the effective framework. In terms of development projects in Bangladesh, the procurement staffs play a key role as they process and practice the whole procedure despite of not having clear guidelines for procurement. The integrity and professionalism of the practitioners towards the efficient procurement practice are the major characteristics stakeholders rely on. Procurement can play only one part of the whole requirement of allowing the project to follow donor policy. So, for overall policy establishment procurement should not be solely liable. Donors often put emphasis to practice the whole life cycle costing, proper documentation of the purchase process, efficient supplier selection and contracting, on time delivery of the required goods or services and the maintains regular and essential policy for re-cycling, re-using and disposing.<sup>23</sup> The accomplishment of procurement spending under donor funded projects in Bangladesh can only be assessed when the product has been disposed after the effective use through an expected life span.

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<sup>23</sup> Islam, M. R. (2007). "Public Procurement and Contracting in Bangladesh: An Analysis of the Perceptions of Civil Servants". *Journal of Public Procurement*, 7(3): 381-399.



#### **4.6 Project Procurement Process and the Spectrum of Procurement Activities in Bangladesh**

Clearly, the operation of procurement differ as per the necessity and requirement spread across the procurement practice framework used in the donor funded projects in Bangladesh. There are more than one practice available in the scenario and those are based on donors' policy and practice existing among the local partners. The existing practices are based on:

**A) Repeatability:** when and how the procurement practice would be repeated.

**B) Complexity:** the complex nature of the procurement function; generally based on statement of work, technical specification.

**C) Value and risk:** the overall value- both visible and non-visible involved in the process of procurement or the amount of risk to be taken by the practitioner or authority

**D) Commonality:** Finding out the basic form of the items or services, the common characteristics of those items and services.

#### **4.7 Required Collaboration in the Procurement Process in Donor Funded Projects in Bangladesh**

Collaboration throughout the framework of the procurement functions is essential to ensure the good value for money. Areas of common or regular commodities and services need to be separated first as they are the preliminary items where the function can start working well. Making few similar items under one lot is helpful to save time and money. This is the area where we can reduce administrative cost through offering minimum efforts.<sup>24</sup> Already established donor-led framework agreement should be helpful as well as it requires to involve the parties only. This kind of practice also limits the possibility of arranging so many independent procurement actions for each and every items. We often overlook the cost we incur during every individual procurement action as we neglect the cost processing every individual action. In most of the cases, petty purchase functions require the same effort, time and energy we need in a relatively bigger

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<sup>24</sup> World Bank (2002). *Bangladesh Country Procurement Assessment Report*. [Online]. Available at [www.worldbank.org](http://www.worldbank.org).

procurement action. So, categorization is required to separate the items or services into different parts and then we may go for further strategic buying.

#### **4.8 Complex Procedure of Development Project Procurement in Bangladesh**

Project based procurement actions are difficult to take due to the time boundary and other limitations of the project. Most expert suggest that going for strategic buying works better for project. Moreover, they are also in favor of procuring the items in minimum lots and then store those if life-shelf is not a matter. In Bangladesh, there are few steps those are practiced widely and approved by almost all the major donors. They are described below:

##### **Stage 1 – Pre-procurement**

###### **Pre-Procurement Planning**

Proper planning of procurement functions is carried out prior to a procurement function. The beginning stage of a project when all the list of deliverables are planned and approved is the best time to develop a procurement plan. The plan continues to be amended time to time as per increasing or decreasing necessity but the holistic picture of the list gives a clear understanding of the items or services to be procured. This stage is considered to be the best part before the sourcing process begins.

###### **Developing Specifications**

It is always very effective to have or develop full and satisfactory statement of work or item specification by avoiding the general specification trap. For example- we all know that a construction specification is bit more complex than a regular commodity. Proper expertise is hired or involved in the process and thus by involving the experts in the early stage of specification development makes the thing much easier for future procurement actions. Sometimes, early involvement of potential but expert suppliers are also managed.

## **Investment Appraisal for a Procurement**

The overall condition of the business case on which the whole project is standing up is important as it offers a limited but guiding nature of future procurement actions of the project. The business case of the project also help to figure out how effectively the procurement functions can be aligned with the target group of beneficiaries. Although NGOs are not for profit, the return on investment can still be calculated by the VfM framework by assessing its effectiveness.

## **Market Engagement**

Collecting information from the potential sources and markets have been always proved as instrumental force in the development projects in Bangladesh. But the early involvement is important as saves valuable time in the later part of the project. In some special cases, project authority needs to engage with suppliers to ensure effective competition or to consider long-term capacity issues.

## **Procurement Strategy**

The procurement strategy in a donor funded development project in Bangladesh usually contains options examination and searching references available in the nearby fellow implementers. Working as per past successful actions are often practiced to minimize the amount of risk. Local partners are guided by the donor agencies case by case. Even donor agencies involve a third party procurement specialist organization to carry out big volume procurement functions.

## **Stage 2 – The Tender Process**

As very often the donor agencies leave the responsibility of achieving VfM to the local partners, local partners go for possible rigorous tendering process. In one sense, it is good as it ensures proper competitions but it also kills time sometime. The biggest procurements are advertised in the Official Journal of the EU (OJEU) by following all the regulations set for the procedure. For straightforward procurements, for example of commodity goods and services, project authorities generally choose between the open and restricted procedures. The EU Procurement Regulations define “particularly complex contract” as a contract where a contracting authority is not

objectively able to: define the technical means capable of satisfying its needs or objectives; or specify either the legal or financial make up of a project.<sup>25</sup>

#### **a) The Open Procedure**

As open procedure represent open tendering, all kinds of interested participants who respond to an OJEU advertisement are invited to tender. This procedure does not allow any form of pre-qualification or pre-selection.

#### **b) The Restricted Procedure**

Under the restricted procedure, interested candidates primarily expressed their interest and they are invited later on based on several criteria. No negotiation takes place once the formal and final bids are submitted.

#### **c) The Competitive Dialogue Procedure**

The competitive dialogue procedure is a complex one therefore, not used very often. The scopes are limited in this procedure. But it has flexibility to discuss between the parties and sorting out for probable solutions. This process is fit when the authority knows very little about the technical features of the items or services to be attained.

#### **d) Competitive Negotiated Procedure (with a call for competition)**

This process is more limited than the previous one. It is appropriate when proper competition cannot be organized due to the lack of market expertise or number of suppliers. It is a procedure when both the parties work very closely and they are dependent on each other.

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<sup>25</sup> Wittig, W. A., 2005. Linking Islands of Integrity to Promote Good Governance in Public Procurement: Issues for Consideration. *In: Fighting Corruption and Promoting Integrity in Public Procurement*. Paris. OECD, 109 - 14.

### **e) Evaluation of Tenders**

Bid proposals are assessed based on the set criteria and based on the relevant tender documents submitted by the bidders. In this kind of process, weighted scoring process is carried out to evaluate the bidders. As the weighted scores are calculated, this process has got the probability to find out the most VfM worthy supplier.

### **Stage 3 – Contract and supplier management**

Once the evaluation done, the most successful bidder and the project authority enter into the binding of contract. Several parts are incorporated in the formal contract to define clear roles and responsibilities of both parties. But the contract management part becomes the most crucial portion once the contract is signed. All actions and activities of the supplier are observed and actions are taken as per the lawful binding. The span of buyer-supplier relationship continues to roll time to time even after the completion of the deliverables. The contract management procedure generally requires a win:win approach and a willingness to solve any problem based mutual gain and respect.

### **4.9 Transparency in Project Procurement in Bangladesh – Locating Enablers**

As procurement takes the responsibility of spending biggest portion of the money of a development project, it is the most relevant area to ensure the meaning and practice of transparency. The whole structure of procurement- starting from administration to the spending culture, transparency is required to be established. Transparency has been identified as best precaution Bangladeshi projects can take in terms of abolishing the corruption. A transparent procurement process can ensure the effective and useful usage of the money spent and can ensure good governance as well. By evaluating a significant numbers of development projects in Bangladesh, donors identified few features of the lack of transparency in development projects in Bangladesh. Firstly they mentioned about the improper advertisement requirement put in the procedure of procurement. When the competition is being made limited, the participation also becomes limited, therefore good suppliers are difficult to be found through the process. Then, putting inadequate selection criteria set in the tender notice often creates barriers for many potential suppliers to submit their bid. The point donors actually identified is creating the equal

treatment system so that all bidders find themselves in a comfortable situation to offer their best offer. In many cases, ambiguous selection criteria is set to restrict the bidding procedure. Obviously, all these points are examples of source how the practice or idea of transparency is being violated throughout the procedure. Also, the tendency to evaluate the offers based on costs not on values weakens the whole process.<sup>26</sup>

#### **4.10 Third Party Monitoring in Development Project Procurement**

By observing the failure of procurement process in the development sectors in Bangladesh, many donors involve third part procurement agent to carry out the process independently as per the need of the project. As procurement process fails, it affects the targeted social outcome to be achieved. Besides the third party procurement agents, donors also involve different civil society, pressure groups to monitor the spending of the NGOs. Donors make it mandatory to publish all procurement related information in the website of the project time to time so that every bidders can attain those information equally.

#### **4.11 Project Procurement can address many of the key economic questions**

Few NGO authorities acknowledged the if project procurement actions are carried out following standardized rules and regulations, the local market gets a positive vibe due to it. Specially, the small and medium entrepreneur, different community based organization can participate in the procurement process and can play role in the economic development. If we can accumulate the effect of these hundreds of development projects in such a transparent way, it may work as a massive economic achievement only through these development projects.

#### **4.12 The Areas Project Procurement spending make a Difference**

The donor community has identified that thorough and transparent procurement spending of development projects in Bangladesh can work behind the socio-economic development aspect in following ways:

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<sup>26</sup> Mannan, M. A. & Islam, Zahidul (2013) *Evaluation of Procurement Mechanism for Sustainable Development in Bangladesh*. IJRET: International Journal of Research in Engineering and Technology

#### **A) Tackling worklessness and unemployment:**

As employment generation and capital spinning are major factors in Bangladesh, standardized procurement spending at the very local level, especially in the small towns and cities, it can create few employment generation and the capital spinning it generates ultimately creates new hope for underprivileged community

#### **B) Developing skills bases**

Almost all the development projects in Bangladesh keep a huge part of their annual budget for training and skill development activities which involve a big community to participate in the process to learn the skill to establish their future intervention.

#### **C) Supporting the sustainability of business and economies**

As all the donors put emphasis on the sustainable issues and equal economic growth all over the society, it is obvious that the project activities reflect their views on sustainability. The practice of this new idea of sustainability also educating people or community on this which can be counted as human capital for future.

#### **D) Alleviating environmental concerns**

As Bangladesh has been one of the worst sufferers of environmental issues or climate change consequences, environmental friendly procurement activities to procure through green sourcing as instructed by the donors are playing small but guiding principle role in Bangladeshi context. Many local companies also started practicing the idea of green sourcing introduced by the donors.

### **4.13 The Move towards Sustainable Procurement Policy and Practice by Development Projects in Bangladesh**

An increasing number of local developing organizations across Bangladesh are facing the issue of confirming Sustainable Procurement Strategy and Policy Declarations and its practice across the board in donor funded development projects. For the guarantee of sustainable goods procurement in the donor funded projects in Bangladesh the decisions procurement in the development project is advised to work to increase the capacity through capacity building and

either prime or sub-contracting.<sup>27</sup> For donor funded projects in Bangladesh, procurement process are slowly but surely moving forward in terms of overall sustainability. Besides the projects, donors also extended their hands to re-cycling usage of different materials in some profit-generating companies. Donors are also encouraging the eco-friendly interventions and instructing the infrastructure of the projects with sustainable equipment

#### **4.14 Concluding Part**

Non-Governmental Organizations or development projects in Bangladesh (Development sector) are working with the ambition of different targets. These are not limited to economic aspect, rather, donor funded development projects introduced many dynamic practices of modern procurement functions which are working actively to ensure sustainability. As still a wide range of questions are asked by the user departments to procurement department on issue of quality, quantity time, usability, relationships and planning regarding the procurement process and practice of the projects, it surely a long way to go to achieve a value for money worthy, sustainable and trustworthy procurement environment in the donor funded development projects in Bangladesh.

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<sup>27</sup> Organization for Economic Co-operation and Development (2007) "Integrity in Public Procurement: Good Practice from A to Z". Paris



## **Chapter 5: Research Methodology and Data Analysis**

### **5.1 Introduction**

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

### **5.2 Research Design**

The study was cross-sectional in which primary data was collected on the effectiveness of emotion driven price negotiation in development sector in Bangladesh. To achieve the objectives of the study literature on prior was reviewed.

### **5.3 Methodology**

It is an explorative nature of study. Primary data were collected from the staffs of different NGOs, donor agencies, project staffs under various development project managed by management agencies and project staffs under government development projects through questionnaire survey. Group discussion method also used in a limited scale. SPSS and other statistical procedure are used for data analysis and presentation. The study report is presented in the later part of this chapter.

The very introductory chapter compacts with the introduction, statement of the problems, objectives, rational of the research. The second chapter covers literature review of the dynamics of emotion and negotiation. The third chapter details the idea of value for money (VfM) and the fourth chapter explores the role of procurement of goods in the donor funded development projects in Bangladesh. The fifth chapter states the methodology, research design. A comparative picture is also provided in this chapter. Chapter covers the data analysis. Chapter six projects the findings of the study, recommendations and other observations. Finally, the conclusion carries out an overall picture of the study that may open doors for future research.

### **5.4 The Population**

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

### **5.5 The Sample Size**

Sample of the 40 respondents was drawn, taking user department of different development sector organization. The sample was drawn purposively to capture the ideas of those who participate in the procurement process and use the materials procured. Questionnaire technique of survey

method was used to collect primary data from the Procurement Personnel of Procuring Entities in development sector of Bangladesh. Random sampling method was used to select 40 nos. participants who were engage in development sector of Bangladesh.

Total 15 queries of each set questions for Procuring Entities and users.

### **5.6 Data Collection**

Primary data was collected by means of a questionnaire which was distributed to the expected respondents. A total 50 questionnaires were distributed and 40 of them were returned which was 80% response.

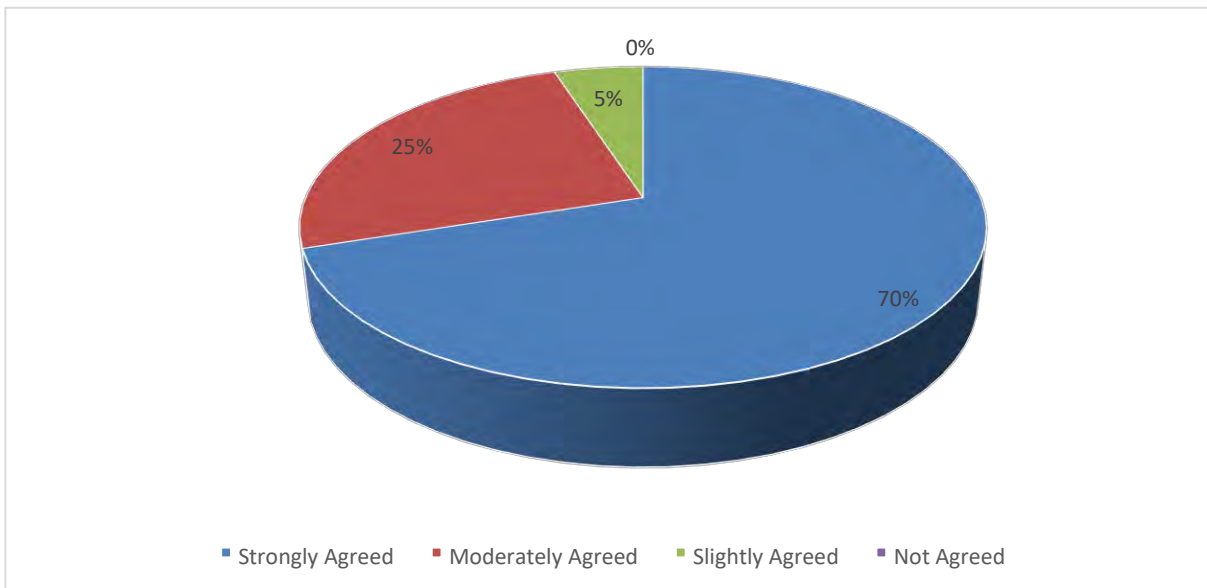
### **5.7 Data Analysis**

The data collected was analyzed using descriptive statistical methods. This was to describe the effects and process of emotion driven price negotiation process in some development agencies and development sector NGOs in Bangladesh. Analyzed data was presented using tables, interpreted and conclusion and recommendations were made. Experimental outcomes from the questionnaires implemented on selected respondents are presented below:

**Survey Question 1- Economy Section:** Significant cost reductions can be achieved in procurement of goods through emotion driven negotiation techniques deployed by the buyer in donor funded development projects.

**Graphical and Demographical Presentation**

SL No.	Survey Question	Frequency	Strongly Agreed	Moderately Agreed	Slightly Agreed	Not Agreed	Total
<b>1</b>	<b>Economy</b>						
1. A	Significant cost reductions can be achieved in procurement of goods through emotion driven negotiation techniques deployed by the buyer in donor funded development projects	40	28	10	2	0	<b>40</b>
	<b>Percentage</b>		70.00	25.00	5.00		<b>100</b>

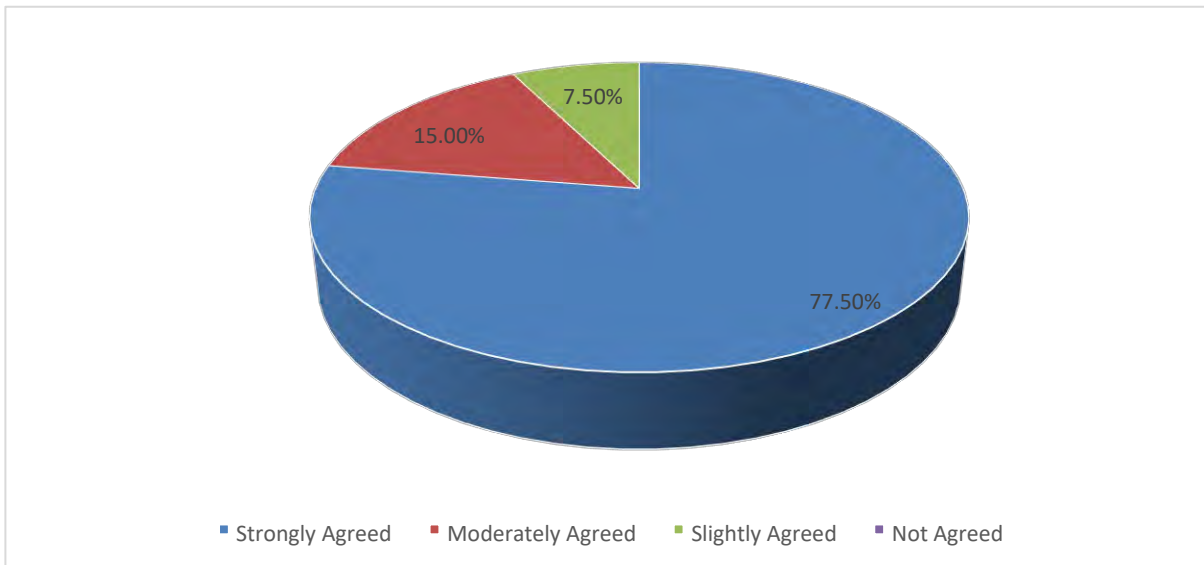


**Result:** The data clearly shows that significant number of participants strongly agree to the point that emotion driven price negotiation can bring significant cost reduction while procuring goods in donor funded development projects. As the rest of the participants more or less agree to the point as moderately and slightly agree, it is established that emotion driven negotiation is very useful in terms of cost reduction.

**Survey Question 2- Economy Section:** Emotion driven negotiation from buyer’s side can add some additional benefits other than direct cost (Like- Tax/VAT inclusiveness, transportation cost, extended warranty period etc.) in donor funded development projects.

**Graphical and Demographical Presentation**

SL No.	Survey Question	Frequency	Strongly Agreed	Moderately Agreed	Slightly Agreed	Not Agreed	Total
<b>1</b>	<b>Economy</b>						
1.B	Emotion driven negotiation from buyer’s side can add some additional benefits other than direct cost (Like- Tax/VAT inclusiveness, transportation cost, extended warranty period etc.) in donor funded development projects	40	31	6	3	0	<b>40</b>
	<b>Percentage</b>		77.50	15.00	7.50		<b>100</b>

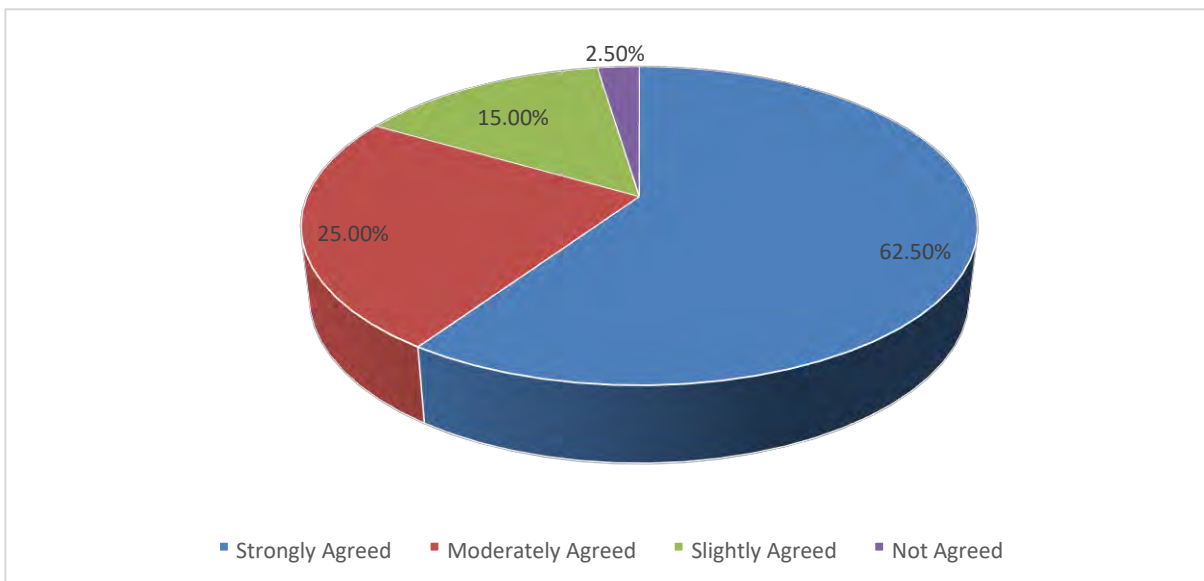


**Result:** More than two-third of the participants’ positive response eventually prove that most of the people believe that emotion driven price negotiation can bring some additional benefits to the buyer organization other than the direct costs. These data also establish the fact that sellers are ready to offer few additional waiver when they are emotionally connected to a price negotiation session. As there is no one disagrees to the statement, it positively clarifies that participants are more or less agree with the point.

**Survey Question 3- Economy Section:** Emotion driven negotiation is quite successful while buyer in donor funded development projects is planning to procure goods at significantly lower price than budgeted price.

**Graphical and Demographical Presentation**

SL No.	Survey Question	Frequency	Strongly Agreed	Moderately Agreed	Slightly Agreed	Not Agreed	Total
<b>1</b>	<b>Economy</b>						
1.C	Emotion driven negotiation is quite successful while buyer in donor funded development projects is planning to procure goods at significantly lower price than budgeted price	40	25	8	6	1	<b>40</b>
	<b>Percentage</b>		62.50	20.00	15.00	2.50	<b>100</b>

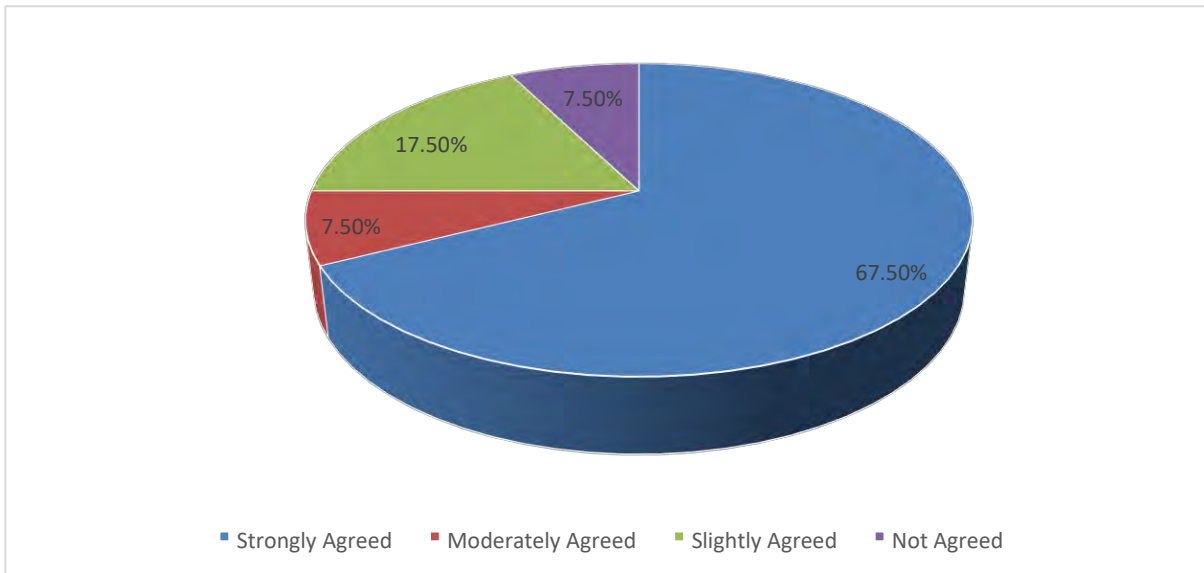


**Result:** More than half of the participants' strong consent on the usefulness of emotion driven price negotiation while planning to procure goods at significantly lower price than budgeted under any development projects justifies the idea in the survey point. As the negative response is very little, it can be ignored to establish the usefulness of the idea.

**Survey Question 4- Economy Section:** Risks regarding acquisition of goods are minimized when both the parties in donor funded development projects are involved in an emotion driven negotiation process.

**Graphical and Demographical Presentation**

SL No.	Survey Question	Frequency	Strongly Agreed	Moderately Agreed	Slightly Agreed	Not Agreed	Total
<b>1</b>	<b>Economy</b>						
1.D	Risks regarding acquisition of goods are minimized when both the parties in donor funded development projects are involved in an emotion driven negotiation process	40	27	3	7	3	<b>40</b>
	<b>Percentage</b>		67.50	7.50	17.50	7.50	<b>100</b>

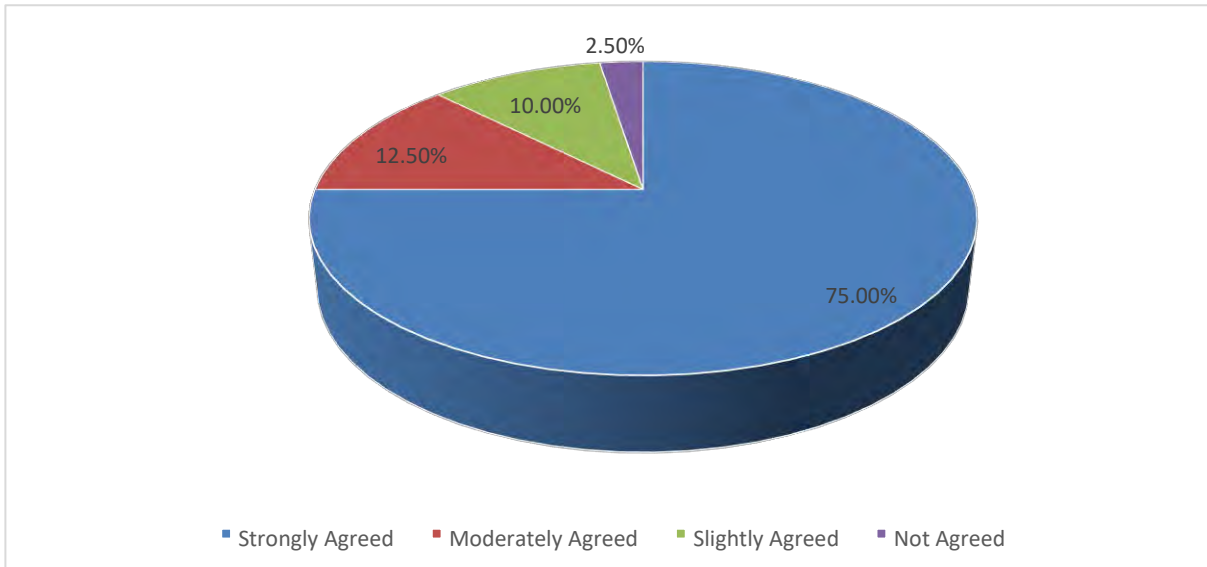


**Result:** Very near about two-third of the participants agree that risks are minimized when both the parties in donor funded development projects are emotionally engaged in a negotiation session for procurement of goods. Slightly agreed participants are clearly more in number than the moderately agreed participants. Most importantly, a mentionable number of participants are not agreed with the issue regarding risk minimization. The result indicates that few people may be unaware about the usefulness of risk minimization through emotion driven price negotiation.

**Survey Question 5- Economy Section:** Emotion driven negotiation brings better result to have competitive price from supplier for the donor funded development projects comparing to profit making industries.

**Graphical and Demographical Presentation**

SL No.	Survey Question	Frequency	Strongly Agreed	Moderately Agreed	Slightly Agreed	Not Agreed	Total
<b>1</b>	<b>Economy</b>						
1.E	Emotion driven negotiation brings better result to have competitive price from supplier for the donor funded development projects comparing to profit making industries	40	30	5	4	1	<b>40</b>
	<b>Percentage</b>		75.00	12.50	10.00	2.50	<b>100</b>

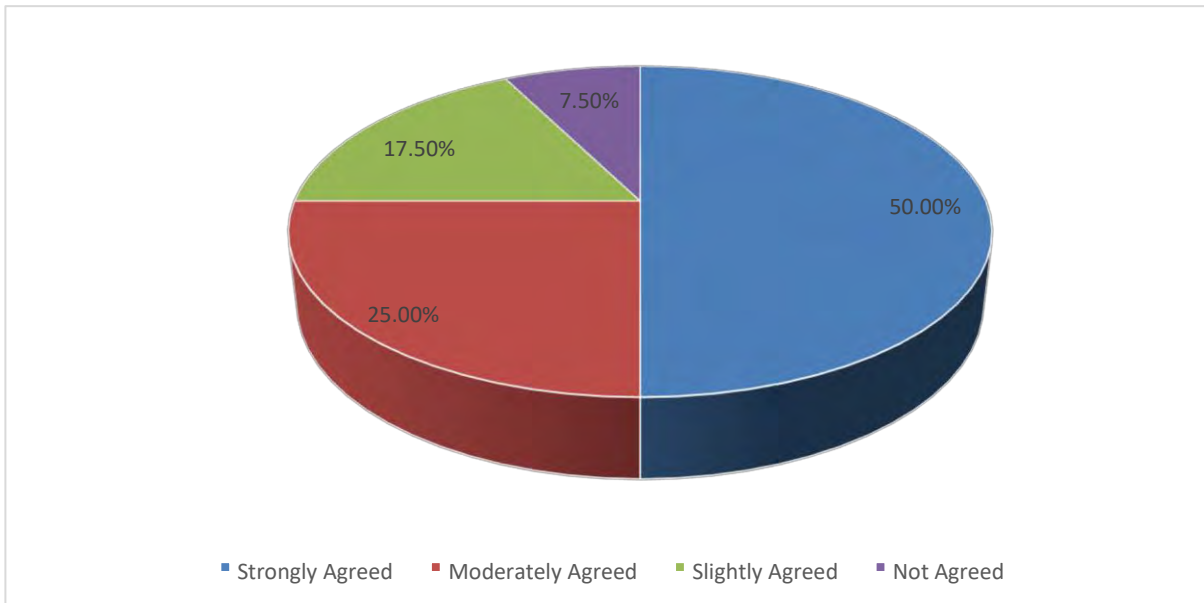


**Result:** Two-third of the participants are in the consent of the idea that emotion driven price negotiation brings better competitive price from the bidders as the sellers value the emotional factor of the outcome. Though an insignificant number does not agree to the point but rest of the participants are more or less convinced that issue can bring competitive advantage regarding the offered price.

**Survey Question 6- Efficiency Section:** Emotion driven negotiation makes existing process and resource of the donor funded development project more useful to achieve better value for money.

**Graphical and Demographical Presentation**

SL No.	Survey Question	Frequency	Strongly Agreed	Moderately Agreed	Slightly Agreed	Not Agreed	Total
2	<b>Efficiency</b>						
2.A	Emotion driven negotiation makes existing process and resource of the donor funded development project more useful to achieve better value for money	40	20	10	7	3	<b>40</b>
	<b>Percentage</b>		50.00	25.00	17.50	7.50	<b>100</b>



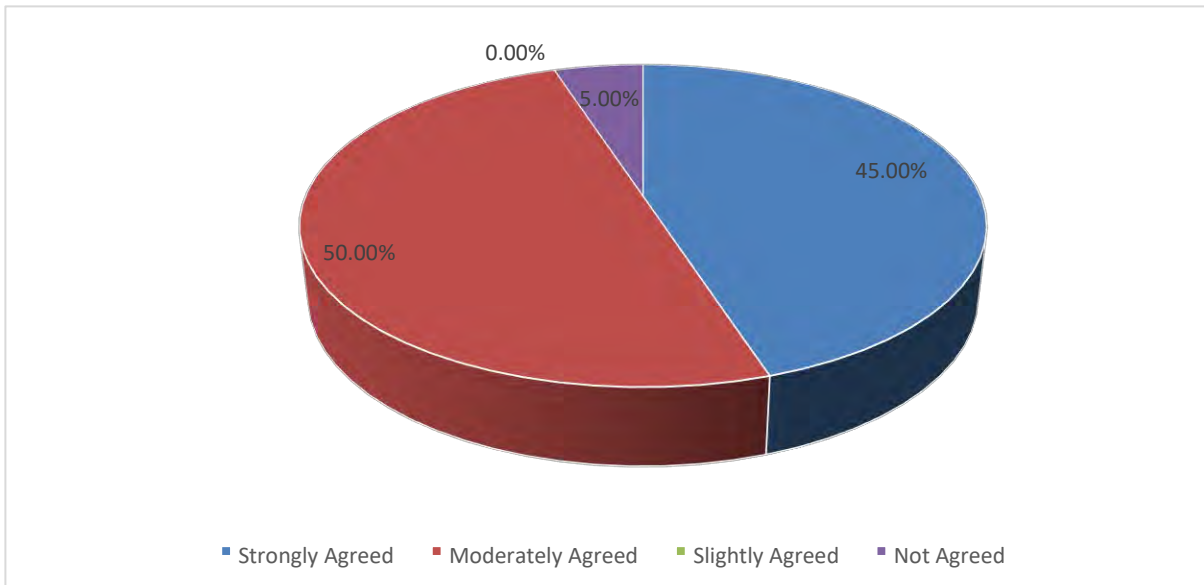
**Result:** As the half of the participants agree with the point, it defines that existing process and resource of the development projects have the useful chance to utilize the tool of emotion driven negotiation. The total number of moderately and slightly agreed numbers definitely shows the positive vibes towards the emotion driven negotiation. A little participant who disagree with the point states the confusion about the usefulness.



**Survey Question 7: Efficiency Section-** Better alternative process can be identified and executed while both the parties are emotionally engaged to find out a fair price of the goods required for the development project.

**Graphical and Demographical Presentation**

SL No.	Survey Question	Frequency	Strongly Agreed	Moderately Agreed	Slightly Agreed	Not Agreed	Total
2	<b>Efficiency</b>						
2.B	Better alternative process can be identified and executed while both the parties are emotionally engaged to find out a fair price of the goods required for the development project	40	18	20	0	2	<b>40</b>
	<b>Percentage</b>		45.00	50.00	0.00	5.00	<b>100</b>

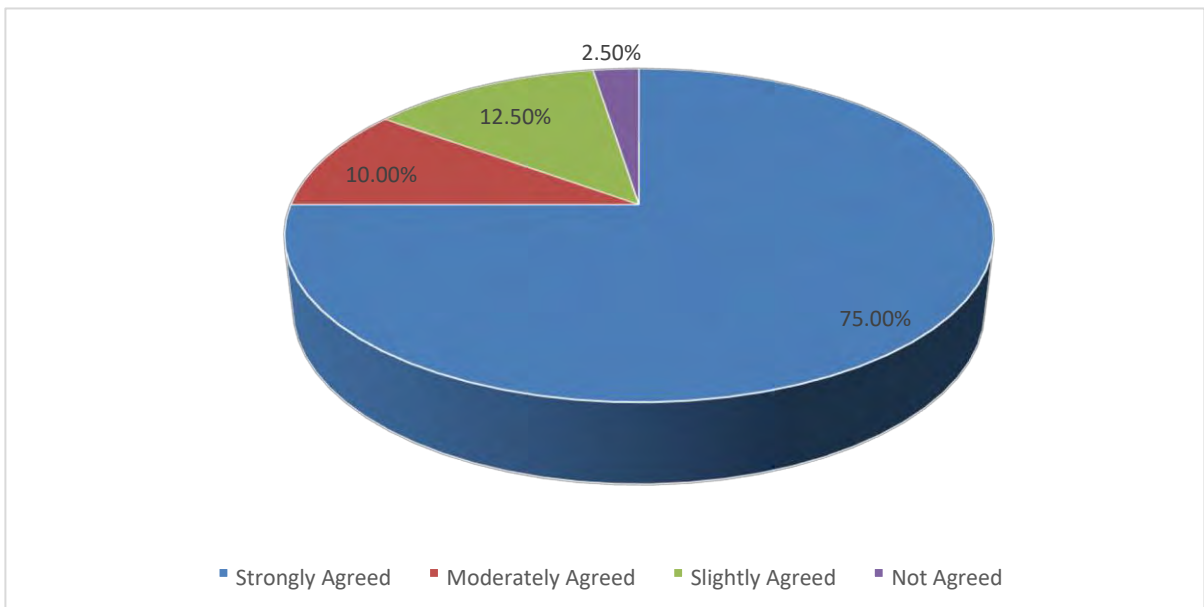


**Result:** The survey result shows most of the participants are almost equally divided into strongly agreed and moderately agreed. So, it is clearly states that most of the people very positively agree to the point that better alternative process can be identified and executed while both parties are involved emotionally in a negotiation session in the development projects. As no participant is slightly agreed but only 2 participants are not agreed, both of these groups can be neglected.

**Survey Question 8: Efficiency Section-** By introducing emotion driven negotiation right from the beginning of the process for procuring critical items of development project is quite instrumental.

**Graphical and Demographical Presentation**

SL No.	Survey Question	Frequency	Strongly Agreed	Moderately Agreed	Slightly Agreed	Not Agreed	Total
2	<b>Efficiency</b>						
2.C	By introducing emotion driven negotiation right from the beginning of the process for procuring critical items of development project is quite instrumental	40	30	4	5	1	<b>40</b>
	<b>Percentage</b>		75.00	10.00	12.50	2.50	<b>100</b>

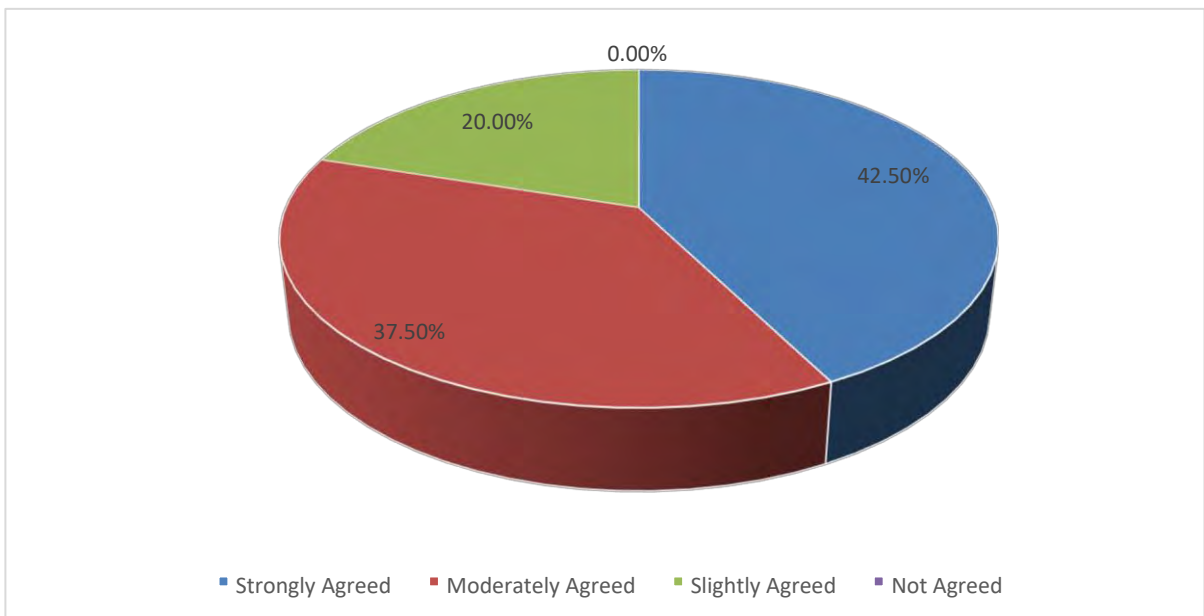


**Result:** Exactly two-third of the participants agree to the point that if emotional driven negotiation can be introduced from the very beginning, the whole process become very instrumental. This result shows early involvement of emotion makes the negotiation process more useful in the long run. Moreover, as significant numbers agree as moderately and slightly, the usefulness of early involvement is unquestionable.

**Survey Question 9- Efficiency Section:** Emotion driven negotiation allows both buyer and supplier to continue the efficiency of an existing process of procuring goods for the development project.

**Graphical and Demographical Presentation**

SL No.	Survey Question	Frequency	Strongly Agreed	Moderately Agreed	Slightly Agreed	Not Agreed	Total
2	<b>Efficiency</b>						
2.D	Emotion driven negotiation allows both buyer and supplier to continue the efficiency of an existing process of procuring goods for the development project	40	17	15	8	0	<b>40</b>
	<b>Percentage</b>		42.50	37.50	20.00	0.00	<b>100</b>

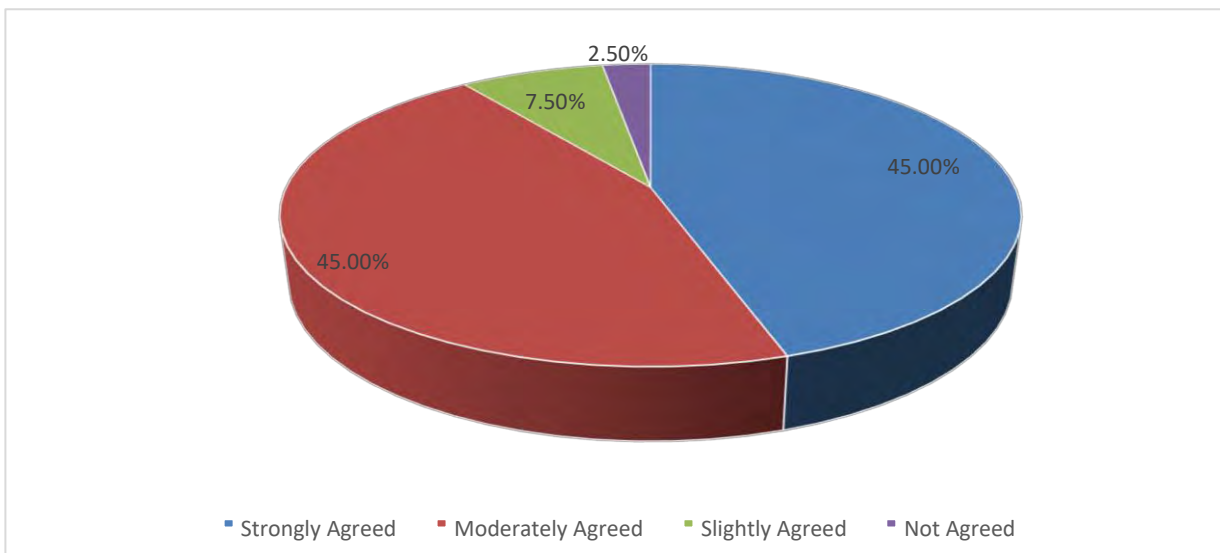


**Result:** Less of the half participants strongly agree on the point that emotion driven negotiation allows both buyer and seller to carry on the efficient process to achieve more positive result or win-win situation. It certainly indicates that most of the participants are not highly convinced on the issue. On the other side, rest of the participants' response as moderately and slightly agree show, they acknowledge the positive role of emotion driven negotiation for both the parties more or less.

**Survey Question 10- Efficiency Section:** Achieving better value for money in acquisition of goods in development projects through emotion driven negotiation is more satisfactory than other negotiation techniques for buyer.

**Graphical and Demographical Presentation**

SL No.	Survey Question	Frequency	Strongly Agreed	Moderately Agreed	Slightly Agreed	Not Agreed	Total
2	<b>Efficiency</b>						
2.E	Achieving better value for money in acquisition of goods in development projects through emotion driven negotiation is more satisfactory than other negotiation techniques for buyer	40	18	18	3	1	<b>40</b>
	<b>Percentage</b>		45.00	45.00	7.50	2.50	<b>100</b>

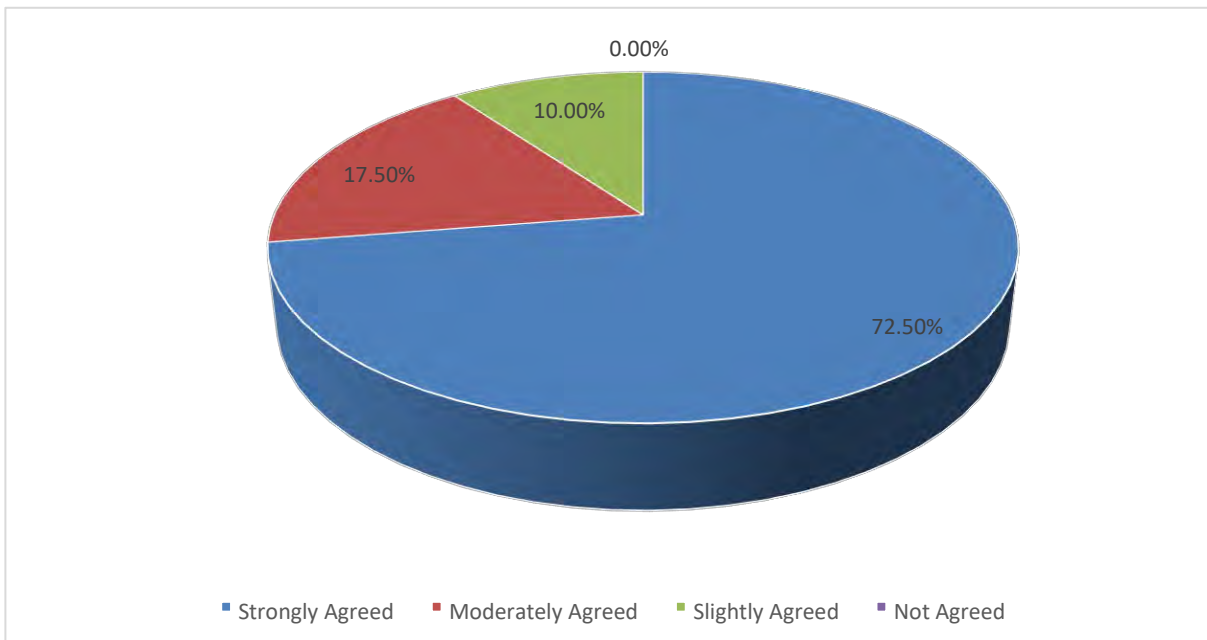


**Result:** As the point concentrates on the overall satisfactory resolution for the both parties, the result defines almost all the participants convincingly agree on the issue that at the end of the day both buyer and supplier will have more satisfaction when they will come over an emotion driven successful negotiation session. Very unmentionable percentage that not agreed will not have any effect over the overall result in favor of the positive standout regarding emotion driven negotiation.

**Survey Question 11: Effectiveness Section-** Achieving better value for money in acquisition of goods in development projects through emotion driven negotiation is more satisfactory than other negotiation techniques for buyer.

**Graphical and Demographical Presentation**

SL No.	Survey Question	Frequency	Strongly Agreed	Moderately Agreed	Slightly Agreed	Not Agreed	Total
<b>3</b>	<b>Effectiveness</b>						
3.A	Expected quality of product for a development project can be maintained while buyer and suppliers are involved in an emotion driven negotiation process	40	29	7	4	0	<b>40</b>
	<b>Percentage</b>		72.50	17.50	10.00	0.00	<b>100</b>

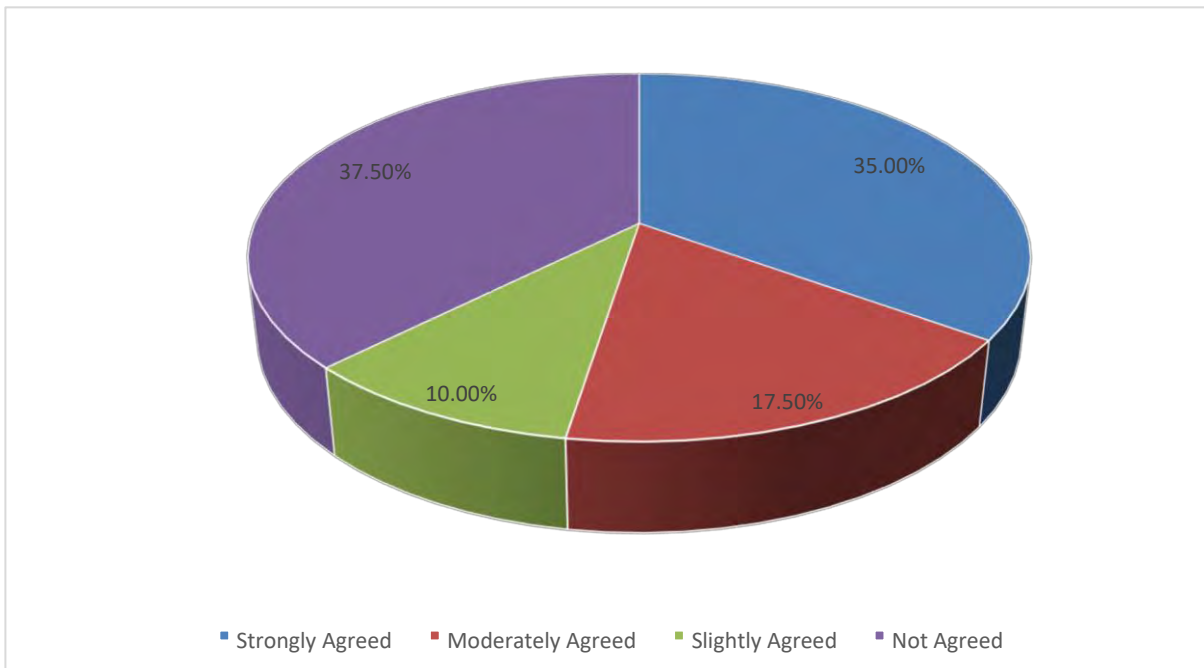


**Result:** Almost two-third of the participants agree that expected quality of product can be achieved when buyer and supplier are involved in an emotional negotiation session. The rest of the participants' responses as moderately and slightly agree ultimately make the point very valid as no one opines in favor of not agreed.

**Survey Question 12: Effectiveness Section-** Emotion driven negotiation can offer better whole life costing of products procured for the development projects.

**Graphical and Demographical Presentation**

SL No.	Survey Question	Frequency	Strongly Agreed	Moderately Agreed	Slightly Agreed	Not Agreed	Total
3	<b>Effectiveness</b>						
3.B	Emotion driven negotiation can offer better whole life costing of products procured for the development projects	40	14	7	4	15	<b>40</b>
	<b>Percentage</b>		35.00	17.50	10.00	37.50	<b>100</b>

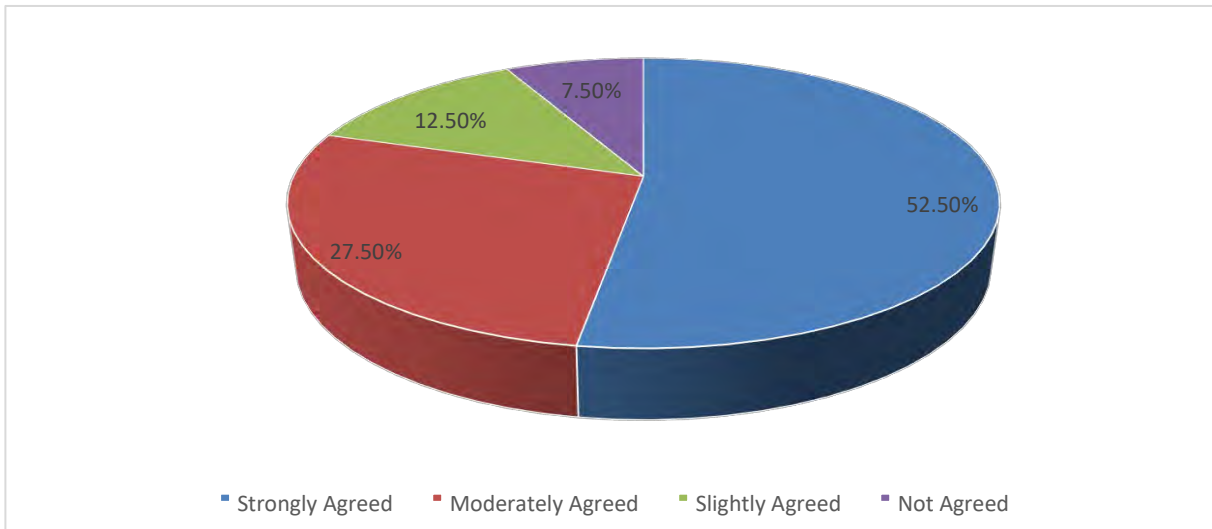


**Result:** Although most of the participants express their opinion in favor of the issue that emotion driven negotiation can offer better whole life costing or total cost of ownership, the significant numbers in disfavor also shows participants’ confusion over the issue. More than one-third participants’ negative responses make the issue more or less unworthy regarding the whole life costing.

**Survey Question 13: Effectiveness Section-** Wastage of goods (repair, damage) can be reduced to a significant level in a development project while both buyer and supplier are influenced by emotional negotiation.

**Graphical and Demographical Presentation**

SL No.	Survey Question	Frequency	Strongly Agreed	Moderately Agreed	Slightly Agreed	Not Agreed	Total
3	<b>Effectiveness</b>						
3.C	Wastage of goods (repair, damage) can be reduced to a significant level in a development project while both buyer and supplier are influenced by emotional negotiation	40	21	11	5	3	<b>40</b>
	<b>Percentage</b>		52.50	27.50	12.50	7.50	<b>100</b>

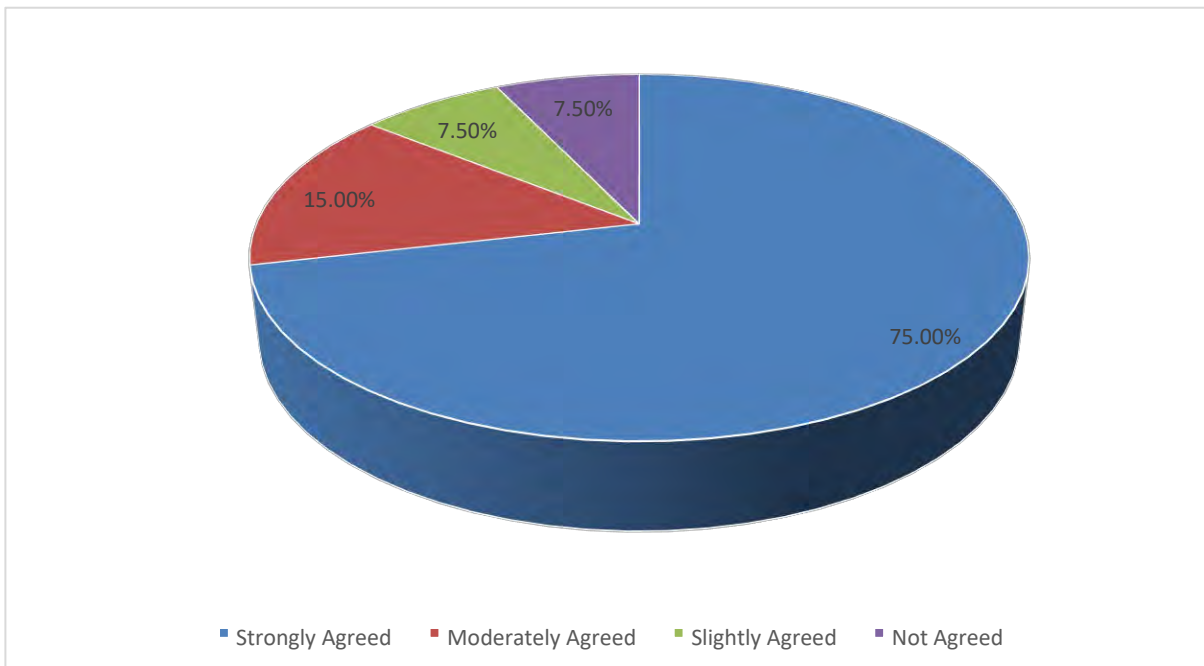


**Result:** More than two-third of the participants agree that ultimate wastage of goods can be reduced if emotional driven negotiation can involve both supplier and buyer. The result also stands for the improved quality of the product that can be easily disposed at the end. This issue is crucial for sustainability and most of the people agree with the importance of sustainability.

**Survey Question 14- Effectiveness Section:** Last minute additional features are easy to be incorporated in the process of procuring goods for a development project while both buyer and supplier are attached through emotional bondage.

**Graphical and Demographical Presentation**

SL No.	Survey Question	Frequency	Strongly Agreed	Moderately Agreed	Slightly Agreed	Not Agreed	Total
3	<b>Effectiveness</b>						
3.D	Last minute additional features are easy to be incorporated in the process of procuring goods for a development project while both buyer and supplier are attached through emotional bondage	40	30	4	3	3	<b>40</b>
	<b>Percentage</b>		75.00	10.00	7.50	7.50	<b>100</b>



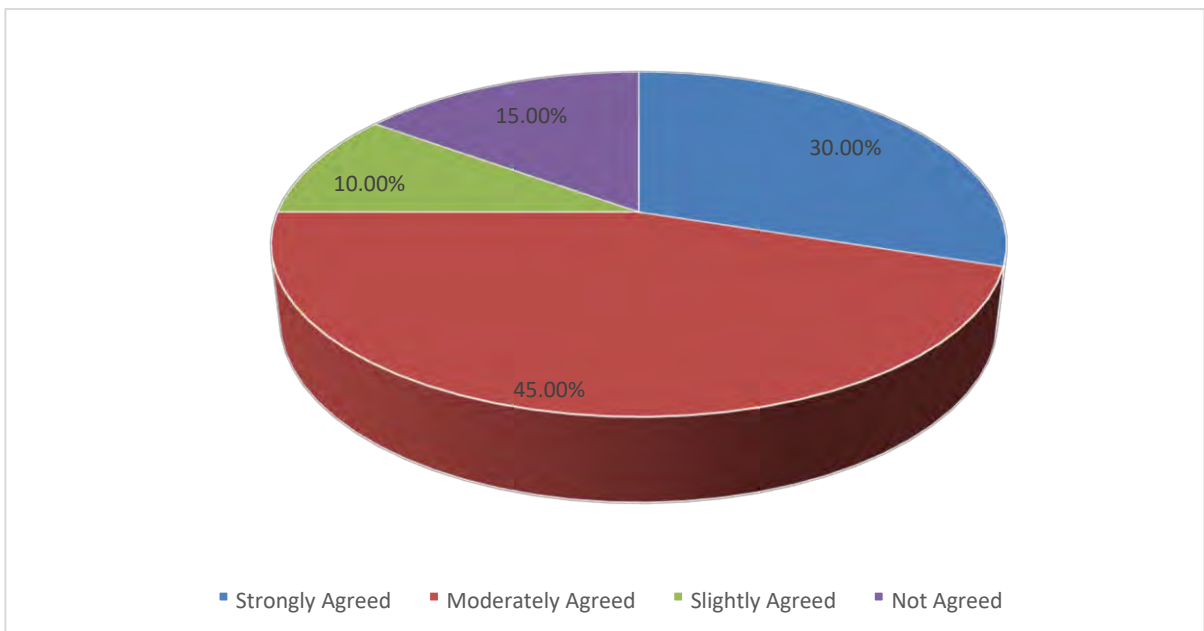
**Result:** As exactly two-third of the participants strongly agree that last minute additional features are easy to be incorporated in the contracts when both buyer and supplier are attached together through an emotional bondage, it clearly shows that features that can add additional value to the contract. Although a slight percentage disagree, it can be ignored as most of the participants are strongly agreed.



**Survey Question 15- Effectiveness Section:** Emotion driven negotiation can ensure sustainable features of products procured for a development project.

**Graphical and Demographical Presentation**

SL No.	Survey Question	Frequency	Strongly Agreed	Moderately Agreed	Slightly Agreed	Not Agreed	Total
<b>3</b>	<b>Effectiveness</b>						
3.E	Emotion driven negotiation can ensure sustainable features of products procured for a development project	40	12	18	4	6	<b>40</b>
	<b>Percentage</b>		30.00	45.00	10.00	15.00	<b>100</b>



**Result:** Survey question result of achieving sustainability issues through emotional driven negotiation seems to a bit confusing to the participants as a noticeable percentage does not agree to the issue. It is bit difficult to make people understand that sustainability can be achieved through emotion. But as most of the people’s consent is in favor of the issue, people should make more aware of the effectiveness and relative usage of the sustainability to emotion driven negotiation.

## **Chapter 6: Conclusion and Recommendations**

### **6.1 Introduction**

As seen from the previous chapter which presented and discussed the findings, this chapter will look at conclusions and recommend possible solutions. It is to be noted that none of the result derive from the personal opinion of the researcher, only from the participants of the survey. As the idea of value for money and emotion driven negotiation are seemed to be relatively new in Bangladesh, it is obvious that it took a bit time to make the responders understand the concepts and their areas of usage. One important information about the participants of the survey is most of them are procurement practitioners in the donor funded development projects in Bangladesh and the rest are more or less involved in the process of procurement as review committee members. So, one thing is clear from the sample size that everyone responses in the survey is aware of the basic that how procurement functions in the development projects in Bangladesh. Moreover, no newcomer in the development project is chosen so that any response from unaware participant can be bypassed.

### **6.2 Common Findings from the Study**

- A) People are curious to know more on the ideas of value for money and emotion driven negotiation as they found both the concepts new and fresh in the industry.
- B) Responders consistently express their worry about the documents available on value for money and emotion driven price negotiation. They are little aware of the availability of documents on the issues.
- C) As the part of humanitarian logistics system, participants agrees to the point that emotional intelligence can be a fruitful instrument in pricing in the developments projects.
- D) Participants are in firm belief that just like the idea of value for money, the idea of emotion driven price negotiation will also be appreciated by the major donors.
- E) Responders also think the emotion driven negotiation and practice towards value for money can function as one of the new drivers to ensure sustainability.

- F) Value addition to the commonly available package can be done through emotion driven negotiation and it will ultimately secure the effectiveness of the buy.
- G) It is also observed that by ensuring value for money through effective emotion driven price negotiation, more salvage cost can be earned after the product cycle of the procured items.
- H) Meaningful emotion driven negotiation can have its role to maximize whole life costing or Total Cost of Ownership (TCO).
- I) There is very minimal opportunity to negotiate on the product quality when both supplier and buyers are emotionally connected only to ensure better value for money.
- J) It is quite possible to observe that supply may engage very easily to the emotional and humanitarian factor of the development projects.
- K) Suppliers are much more flexible to incorporate alternatives to fulfill the clauses of the contract while they are emotionally connected and work for a humanitarian cause.
- L) Mentionable price reduction is achievable if supplier are made to react against the emotional effect of the development projects in Bangladesh.

### **6.3 Recommendations**

- A) Capacity building initiatives should be taken on Emotion driven price negotiation and the idea of value for money for the staffs of the projects who are directly and indirectly connected with the procurement process.
- B) Resources to learn on the emotion driven price negotiation and value for money to be made available in the projects.
- C) Cross-functional cooperation among the sections and the projects to be increased to maximize the profit of practicing emotion driven negotiation.
- D) Conducting Price negotiation session can be made mandatory before awarding every contract to any buyer.
- E) Awareness building programmes on the effect of humanitarian projects in Bangladesh to be arranged among the potential buyers so that they understand the emotional background of the cause.

- F) Establishing long-term arrangements with effective suppliers may conclude into a better value for money practice in the development projects.
- G) Cost saving through emotion driven negotiation to ensure better value for money can be set as one of Key Performance Indicator for the project procurement team.
- H) Achieving better value for money through conducting emotion driven negotiation session to be incorporated in the procurement manual of the donor funded development projects in Bangladesh.

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**Annexure-1: Survey Questionnaire**

**The Effectiveness of Emotion driven Price Negotiation to achieve best value for money for procurement of goods in the donor funded development projects in Bangladesh: An assessment**

<b>PART I: GENERAL INFORMATION</b>	
Information will be used for research purpose only. Please Tick [ <input type="checkbox"/> ] the most appropriate alternative/s	
(a) Which Organization do you work for? .....	(b) What Position do you hold in the organization? .....
	(c) What is your highest level of education? ( <input type="checkbox"/> ) Certificate/Diploma ( <input type="checkbox"/> ) Bachelor degree/Advanced Diploma ( <input type="checkbox"/> ) Masters degree ( <input type="checkbox"/> ) Other level (specify).....
(d) For how long have you been employed in that position? .....	(e) Name of Project (Foreign aided), .....
(f) Project duration. .....	(g) Project is funded by (Foreign aided)- .....
<b>PART II: The Effectiveness of Emotion driven Price Negotiation to achieve best value for money for procurement of goods in the donor funded development projects in Bangladesh: An assessment</b>	
<b>For each statement below <input type="checkbox"/> that best describes your view on your firm</b>	

Sl.	Perception Statement	Strongly Agreed	Moderately Agreed	Slightly Agreed	Not Agreed
<b>1.</b>	<b>Economy</b>				
A)	Significant cost reductions can be achieved in procurement of goods through emotion driven negotiation techniques deployed by the buyer in donor funded development projects				
B)	Emotion driven negotiation from buyer's side can add some additional benefits other than direct cost (Like-Tax/VAT inclusiveness, transportation cost, extended warranty period etc.) in donor funded development projects				
C)	Emotion driven negotiation is quite successful while buyer in donor funded development projects is planning to procure goods at significantly lower price than budgeted price				



Sl.	Perception Statement	Strongly Agreed	Moderately Agreed	Slightly Agreed	Not Agreed
D)	Risks regarding acquisition of goods are minimized when both the parties in donor funded development projects are involved in an emotion driven negotiation process				
Sl.	Perception Statement	Strongly Agreed	Moderately Agreed	Slightly Agreed	Not Agreed
E)	Emotion driven negotiation brings better result to have competitive price from supplier for the donor funded development projects comparing to profit making industries				
<b>2.</b>	<b>Efficiency</b>				
A)	Emotion driven negotiation makes existing process and resource of the donor funded development project more useful to achieve better value for money				
B)	Better alternative process can be identified and executed while both the parties are emotionally engaged to find out a fair price of the goods required for the development project				
C)	By introducing emotion driven negotiation right from the beginning of the process for procuring critical items of development project is quite instrumental				
D)	Emotion driven negotiation allows both buyer and supplier to continue the efficiency of an existing process of procuring goods for the development project				
E)	Achieving better value for money in acquisition of goods in development projects through emotion driven negotiation is more satisfactory than other negotiation techniques for buyer				
<b>3.</b>	<b>Effectiveness</b>				
A)	Expected quality of product for a development project can be maintained while buyer and suppliers are involved in an emotion driven negotiation process				
B)	Emotion driven negotiation can offer better whole life costing of products procured for the development projects				
C)	Wastage of goods (repair, damage) can be reduced to a significant level in a development project while both buyer and supplier are influenced by emotional negotiation				
D)	Last minute additional features are easy to be incorporated in the process of procuring goods for a development project while both buyer and supplier are attached through emotional bondage				
E)	Emotion driven negotiation can ensure sustainable features of products procured for a development project				

**Thank you for your assistance.**

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

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