

**Comparison of Procurement Performance of Rural Transport Infrastructure Project
and Construction of Large Bridge on Upazila & Union Roads Project in LGED**

A Dissertation by

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Abbreviations

ADB	Asian Development Bank
AE	Assistant Engineer
BDT	Bangladesh Taka (Currency)
CPTU	Central Procurement Technical Unit
DPD	Deputy Project Director
DPP	Development Project Proposal
GOB	Government of Bangladesh
HOPE	Head of Procuring Entity
IMED	Implementation Monitoring and Evaluation Division
LGED	Local Government Engineering Department
NOA	Notification of Award
PD	Project Director
PE	Procuring Entity
PP	Public Procurement
PPA	Public Procurement Act
PPR	Public Procurement Rules
Sr. AE	Senior assistant engineer
TEC	Tender evaluation committee
WB	World Bank
XEN	Executive Engineer

EXECUTIVE SUMMARY

Bangladesh is a developing country. Until 2003, the country belonged no standard procurement rules and procedures. In 2003, by World Bank's initiatives, Government of Bangladesh has made a revolution through introducing Public Procurement Regulation (PPR) 2003 which was legitimated in 2006 as Public Procurement Act (PPA) 2006 and Public Procurement Rules (PPR) 2008.

The objectives of this research work intends assessment and compare performance of procurement process between two projects RTIP and LBC project of LGED and identify the factors which impact the performance of procurement and also suggest for improvement in procurement process.

The main research questions are what factors which affect on performance of procurement and is there any difference in performance of procurement between GOB project and donor funded project?

The methodology of this study to undertake (i) review of Procurement Guidelines of World Bank and PPR,2008 and PPA,2006; (ii) Key informants interviews, (iii) Questionnaire survey for primary data and (iii) Secondary Data collection from project offices .

A questionnaire survey has been conducted in LGED for collection secondary data. The questionnaire has 13 close questions and 2 open questions. About 30 respondents responded this questionnaire. Secondary data collected from respective project files/records on the basis of 10 performance indicators (PI). 20 contracts have been selected from each project.

The findings of this study are as following:

There are many factors which affect the performance of procurement. These are lack of knowledge and commitment of different stakeholders, vast tender document, lack of ethical standard. Political influence and fund crisis are also barriers for procurement performance. Moreover PPR-2008 brings discipline and uniformity in public procurement.

For the above findings some recommendations given below:

Introduce training to increase knowledge and commitment of different stakeholders. A fit list may be prepared for posting a focal person for Procurement purpose in each

project. Adapting a communication campaign for behavioral and attitude change for various groups of society, especially for political leaders, media persons. Introduce incentive/disincentive mechanism (reward and punishment) by initiating punitive actions for bad performance and reward for good performance. Introduce electronic government procurement (e-GP) in LGED. This is ensuring transparency and reducing unwanted disturbance.

Comparison of Procurement Performance of Rural Transport Infrastructure Project and Construction of Large Bridge on Upazila & Union Roads Project in LGED

Chapter 1 : Introduction

1.1 Background and Context

Bangladesh is a developing country. Until 2003, the country had no standard procurement rules and procedures. In 2003, by World Bank's initiatives Government of Bangladesh has made a revolution through introducing Public Procurement Regulation (PPR) 2003 which was legitimated in 2006 as Public Procurement Act (PPA) 2006 and Public Procurement Rules (PPR) 2008.

Local Government Engineering Department (LGED) is primarily concerned about the development of rural road and maintaining rural area communication. LGED also works in urban area and water sector. Moreover LGED give technical support to local government organization and capacity building of LGIs(Local Government Institutes). Rural Transport Infrastructure Project (RTIP) is one of the biggest project in LGED which develop rural road and rural infrastructure in 26 districts of Bangladesh. IDA is the developing partner of this project. Construction of Large Bridge on Upazila & Union Roads Project is also a project of LGED for Construction Bridge on Upazila & Union Roads in different areas of Bangladesh. It is a GOB funded project. There are huge numbers of staff involved in procurement process in LGED. So the performance of procurement is important for LGED and also for development of Bangladesh.

1.2 Statement of the Problem

There are various people involved in procurement process in LGED. But knowledge and skill is different for different people. As PPR, 2008 is highly regulated, the performance of procurement under PPR, 2008 depends on following factors:

Knowledge of the members of Tender opening committee and Tender Evaluation Committee are not up to standard. Many persons of them are highly knowledgeable but few persons have lack of knowledge about tender processing but all members of both

committees have equal liabilities. PPR 2008 clearly describes allowable time for different activities. But some activities do not perform within stipulated time like tender evaluation.

Tender Approving Authorities approve the tender according to Delegation of Financial Power (DOFP). But in most of the cases, they are reluctant about stipulated time for approval of tender.

Transparency is one of the main issues of PPR 2008. But there are many causes which makes questionable the procurement process about transparency. Many of the persons who involve in procurement process have lack of commitment.

According to PPR 2008 there is a requirement for minimum time period for publication of advertisement in newspaper and above specific threshold there is a mandatory requirement to publish advertisement in CPTU website. But sometimes publication of advertisements does not meet the requirement. Some members of tender evaluation committee do not attend the meeting. Sometimes tenderers may not submit tender properly. They have limited knowledge about pricing, which arise another hazard during implementation of contracts. All of these may delay the procurement process and may not comply with PPR, 2008 and developing partner's guidelines.

1.3 Significance of the Proposed Research

In Bangladesh, Local Government Engineering Department (LGED) is responsible for developing rural roads & pertinent structures and rural infrastructure in Bangladesh where yearly budgetary allocations for LGED is more than BDT 43000.00 millions in 2011-12 (www.lged.gov.bd). Utilization of public fund is primarily depends on performance of procurement. It may save huge money if performance of procurement improved. From this research it is possible to identify the possible way to improve procurement performance.

1.4 Research Objectives

The research work intends to compare performance of procurement process between two projects, Rural Transport Infrastructure Project and Large Bridge Construction Project and to suggest for improvement in procurement of LGED. It is also identify the factors which affect performance of procurement.

1.5 Research Questions

This research intends to know the performance of procurement of Rural Transport Infrastructure Project and Large Bridge Project . Also it is intends to know about the factors that affect the performance of procurement. The research question are therefore:

1. What factors affect on performance of procurement in the two projects?
2. Is there any difference in performance of procurement between GOB projects and donor funded projects?

1.6 Scope and Limitations

LGED is a large procuring agency in Bangladesh. A huge numbers of projects are implemented by LGED. This research work is able to identify the procedure of procurement exercised in LGED and also performance of procurement of the aforesaid projects and compliance of PPR, 2008.

The research work will be limited on the RTIP and LBC project of LGED. There are various guide lines of World Bank, Government of Bangladesh and literature about procurement. But few studies have been done in this research. Moreover time was short for undertaking a detailed study in this area.

1.7 Methodology

1.7.1 Strategy

The methodology of this study to undertake (i) review of Procurement Guidelines of WB and PPR,2008 and PPA,2006; (ii) Key informant interviews of- PDs, Executive Engineers, Sr. Asst. Engineers, Asst. Engineers and contractors/Suppliers;(iii) Questionnaire survey and (iii) Secondary Data collection from project offices .

In this research both qualitative and quantitative methods will be followed. One questionnaire has been used for this study (Appendix 1). 10 procurement performance indicators were used to assess procurement performance with respect to project lead time, cost and quality.

1.7.2 Selection of study area

The research work will be limited on Rural Transport Infrastructure Project(RTIP) and Large Bridge Construction(LBC) Project , LGED. RTIP is a large project of LGED

funded by GOB and World Bank. This is recently completed project. LBC project is an ongoing project funded by Government of Bangladesh. This year is the 4th year of the project. So procurement related data and information is available of these projects.

1.7.3 Sample size

Huge number contracts implement by RTIP and LBC project. For questionnaire survey total 30 persons (2 Project Directors, 2 Executive Engineers, of project offices, 2 Executive Engineers of districts offices, 4 Senior Assistant Engineers, 4 Assistant Engineers, 6 Upazila Engineers and 10 contractors) interviews will be taken. All secondary data will collect from project offices files/records. 20 contracts selected from each project to collect secondary data.

1.7.4 Sampling Method

A random sampling technique will be followed to select contracts and LGED officials from the Project Director Offices of LGED.

1.7.5 Interview, data collection and timeframe of the research work

The primary data will be collected through interview of key informants like Project Directors, Executive Engineer, Senior Assistant Engineer, Assistant Engineer and contractors and also questionnaires survey. All secondary data collected from project offices.

Literature review, data collection, interview and data analysis will be done in 3 months. 15 days will be required for literature review, 1 month for data collection and 1 month for interview. 15 days will be required for data analysis. Report writing will need 1 month. The research work will be completed within a timeframe of 4 months.

1.7.6 Data processing and Analysis

Data was stored electronically. Data has been processed by spread sheet and presented by tabular form.

1.8 Organization of this Study/Report

The first chapter is consisting of background, statement of problems, Research question, research objective, scope and limitation and the methodology of this study.

The second chapter covers literature review. Various literature and information from different sources- like PPR 2008, World Bank guide lines for procurement, DPP of RTIP and LBC project review in this chapter.

In chapter third describe findings and the data analysis of this study.

In chapter four include conclusion and recommendation of this study.

Chapter 2: Literature Review

2.1 Procurement

2.1.1 Definition

There are lots of definitions of procurement. Some of those definitions given below:

- a) The action or process of acquiring or obtaining materiel, property, or services at the operational level, for example, purchasing, contracting, and negotiating directly with the source of supply (Sci-Tech Dictionary)
- b) Complete process of obtaining goods and services from preparation and processing of a requisition through to receipt and approval of the invoice for payment (Business Dictionary.com)
- c) Procurement is the process by which the resources (goods and services) required by a project are acquired. It includes development of the procurement strategy, preparation of contracts, selection and acquisition of suppliers, and management of the contracts.
(www.apm.org.uk/Definitions.asp)
- d) The process by which the state obtains necessary goods or products from non-governmental vendors.
(www.pewcenteronthestates.org/template_page.aspx)
- e) procure - To acquire or obtain an item or service, sometimes rare, usually by extra effort; (en.wiktionary.org/wiki/procure)

Procurement may define as "Purchasing, hiring or obtaining goods, works or services or any mixture thereof by any contractual mean that includes development of the procurement strategy, preparation of contracts, selection and acquisition of suppliers, and management of the contracts. Procurement which uses public money is called public procurement. Public procurement generally is an important sector of the economy.(CPTU,2009)

2.1.2 Procurement process

Procurement may involve a bidding process known as *tendering*. A company or organization may require some product or service. If the price exceeds a threshold that has been set (e.g.: government department procurement policy: "any product or

service desired whose price is over X must be put to tender"), depending on policy or legal requirements, the purchaser is required to state what is required and make the contract open to the bidding process. The concept of total cost also comes into play. At times, not just price, but other factors such as reliability, quality, flexibility and timing, are considered in the tendering process. A number of potential suppliers then submit proposals of what they will provide and at what price. Then the purchaser will usually select the lowest bidder; however if the lowest bidder is deemed incompetent to provide what is required despite quoting the lowest price, the purchaser will select the lowest bidder deemed competent. In the European Union, strict rules on procurement must be followed by public bodies, with contract value thresholds determining the processes required (relating to advertising the contract, the actual process etc.).

2.1.3 Procurement steps

Procurement life cycle in modern businesses usually consists of seven steps:

- Identification of need: This is an internal step for a company that involves understanding of the company needs by establishing a short term strategy (three to five years) followed by defining the technical direction and requirements.
- Supplier Identification: Once the company has answered important questions like: Make-buy, multiple vs. single suppliers, then it needs to identify who can provide the required product/service. There are many sources to search for supplier; more popular ones being Ariba, Alibaba, other suppliers and trade shows.
- Supplier Communication: When one or more suitable suppliers have been identified, requests for quotation, requests for proposals, requests for information or requests for tender may be advertised, or direct contact may be made with the suppliers. References for product/service quality are consulted, and any requirements for follow-up services including installation, maintenance, and warranty are investigated. Samples of the P/S being considered may be examined, or trials undertaken.
- Negotiation: Negotiations are undertaken, and price, availability, and customization possibilities are established. Delivery schedules are negotiated, and a contract to acquire the P/S is completed.
- Supplier Liaison: During this phase, the company evaluates the performance of the P/S and any accompanying service support, as they are consumed. Supplier scorecard

is a popular tool for this purpose. When the P/S has been consumed or disposed of, the contract expires, or the product or service is to be re-ordered, company experience with the P/S is reviewed. If the P/S is to be re-ordered, the company determines whether to consider other suppliers or to continue with the same supplier.

- Logistics Management: Supplier preparation, expediting, shipment, delivery, and payment for the P/S are completed, based on contract terms. Installation and training may also be included.
- Additional Step - Tender Notification: Some institutions choose to use a notification service in order to raise the competition for the chosen opportunity. These systems can either be direct from their e-tendering software, or as a re-packaged notification from an external notification company. (<http://en.wikipedia.org/wiki/Procurement>)

2.2 Review of Public Procurement Framework in Bangladesh:

2.2.1 Reform Program in Public Procurement Sector:

The public procurement is an important function of the Government. Almost 80% of the annual development program is spent by public procurement. Since the issuance of PPR-2003, the procurement process in our country had been in a disorganized framework having lack of standardized process and documents. The World Bank, first ever in 2001, assess the country procurement system and prepared country procurement assessment report (CPAR) (World Bank,2002) that identified many deficiencies, including the following major problems in the country's procurement system;

- a) Absence of sound legal framework governing public sector procurement.
- b) Complex bureaucratic procedure causing delay.
- c) Absence of planning
- d) Multiple layers in the approval and review process
- e) Lack of adequate professional competence of staff to manage public procurement.
- f) Generally poor quality bidding documents and bid evaluation
- g) Ineffective administration of contracts
- h) Absence of adequate mechanism for ensuring transparency and accountability.

With the above backdrop, the need for improving governance in procurement management area was felt. Then the first 'Public Procurement Reform Project' with IDA assistance approved on 14 February 2002 clearly mentioned the implementation objectives as to 'contribute to improve performance of procurement through introduction of measures to make public procurement system compliant with internationally agreed norms of efficiency, transparency and accountability with the increase of procurement capacity through creation of a pool of national procurement professionals. Under this project 'The Public Procurement Regulations 2003 have prepared through a process of extensive consultation with all stakeholders, government ministries, divisions, departments, statutory bodies, development partners, applicants, suppliers, contractors, consultants and their associations and representative of Federation of Chambers of Commerce and Industries. The regulations have passed through the various working groups comprising representatives both from private and public sectors, National workshops, the Steering Committee constituted by the government.

The use of multiple procurement guidelines and procedures made it difficult for the procurement officer to process procurement cases timely and efficiently. To triumph over these difficulties government took major reform program in the field of public procurement under financial and technical supported by World Bank.(2002, www.worldbank.org)

2.2.2 Introduction of new procurement rule, regulation and procedures

Government of Bangladesh first introduces the harmonized and unified public procurement regulations in 2003 named PPR-2003. With the introduction of the PPR-2003, it superseded all other public procurement guidelines, procedures and practices. In the year 2006, the public procurement regulations have been legitimated by the Parliament and public procurement act namely PPA-2006 formed in accordance to the power vested under clause 70 of constitution. Then gazette notification regarding 'The Public Procurement Rules-2008 had published on 28 January, 2008. After that country's all procurements are being done by following guidelines of PPR-2008. (PPR, 2008).

2.2.3 Review on PPR, 2008

There are 130 rules, 9 chapters and 14 schedules in PPR, 2008. There are 3 (three) amendments done in PPA, 2006 and 2(two) amendments done in PPR, 2008 various time with response to requirement.

According to PPR, 2008 for goods & related services and works & physical services there various methods for procurement. These are Open Tendering Method (OTM), Limited Tendering Method (LTM), Request for Quotation (RFQ), Direct Purchasing Method (DPM), Two-Stage Tendering Method and Single Stage Two Envelope Method. There are also various Methods for Procurement of Intellectual and Professional Services. These are Quality and cost Base Selection (QCBS), Selection under Fixed Budget (SFB), Least Cost Selection (LCS), Single Source Selection (SSS), Selection of Consultants Based on Consultant's Qualifications (SBCQ), Selection amongst Community Service Organizations (CSOs), Selection of Consultants by a Design Contest (DC), Selection of Individual Consultant (SIC).

In chapter two, describe about preparation of tender documents and formation of different committees. In Chapter three describe Principal of Public Procurement, in chapter four describe methods of procurements, in chapter five describe processing of procurement, in chapter six describe Procurement of Intellectual and Professional Services, in chapter seven describe Professional Misconduct, in chapter eight describe E-Government Procurement and in chapter nine describe Miscellaneous.(PPR 2008)

2.3 Procurement Methods Under World Bank's Guidelines

The bank's Guideline suggested a number of procurement methods, providing guidance on when each method may be used. These methods of procurement uses on Bank's finance projects on the basis of agreed threshold mentioned in the procurement plan in loan agreement. The methods are briefly described here;

a) International Competitive Bidding (ICB):

ICB is widely used procurement method for purchasing of higher value of goods, works and services or mixture thereof.

b) National Competitive Bidding (NCB)

When ICB is not economic or inefficient then NCB is permissible. Keeping consistent with underlying principles of Bank procurement policies, NCB may encourage the development of local contractors.

c) National Shopping:

National shopping is appropriate for procuring readily available off-the-shelf goods or commodities in quantities of small value. It does not require formal bidding process or public opening of bids/quotations. It is carried out by requesting at least three quotations from local (or foreign) suppliers.

d) Direct Contracting:

This method is appropriate when it is clear that competitive bidding (including local shopping) is not possible or no response was obtained in repeated bidding. Bank Guidelines specify limited situations where direct contracting may be employed.

e) Force Account:

Force Account is procurement of works through the use of the Borrowers own personnel and equipment and is permitted where it is the only practical method of construction. Force Account method is justified when; (i) quantities of works can not be defined in advance ;(ii) works are small and scattered or in remote locations where mobilization cost for contractors would be unreasonably high; or (iii) where no contractors.(World Bank, 2011).

2.4 Procurement: Local Government Engineering Department (LGED) Perspective

2.4.1 Early Stage of Procurement in LGED

The Local Government Engineering Department (LGED) is playing a pivotal role in rural infrastructure development. People at large in rural Bangladesh are now enjoying the benefits of LGED's different rural development projects. Rural infrastructure development projects undertaken by LGED are contributing a great deal towards the socio- economic development in the country along with the development of communication and market networks. Various activities under different projects have been creating short and long term employment opportunities for the poverty-stricken people. Similarly, LGED's infrastructure development

activities, slum development activities and other socio-economic development activities in the urban areas have been creating employment opportunities and contributing towards environmental promotion.

The main functions of LGED are to provide technical support to the rural and the urban local government institutions (LGIs) and also planning and implementation of infrastructure development projects in the rural and urban areas to improve communication/transport network, employment generation and poverty reduction. The major functions are highlighted as below:

- a) Provide technical support to the Pourashavas (City Council) and the District Councils.
- b) Construct Union Parishad (Council) Complex (UPC) and Union connecting roads throughout the country.
- c) Plan and monitor development of growth centre connecting roads and construction of bridges/culverts through the Project Implementation Committees (PIC) constituted by the Union Parishads with food aid from the World Food Programme (WFP).
- d) Implement and monitor construction of roads and bridges/culverts in the rural areas under the Integrated Food for Development (IFFD) project with food aid supported by CARE
- e) Plan, implement and monitor Rural Infrastructure Maintenance Programme (Paved roads and bridges/ culverts).
- f) Prepare, implement and monitor small scale irrigation, flood control and drainage schemes at the Upazila and the Union levels.
- g) Impart training in relevant topics to the peoples' representatives, contractors, project committees, LCSs and the beneficiaries involved with various development activities and increase their awareness about participatory process and role in development. (LGED Brochure,2012)

LGED started its journey for developing rural infrastructure projects since 1984. That's time Major's works was to reconstruct earthen feeder road and construction of pertinent structure under financed by World Food Program also LGED was responsible for implementing other rural infrastructure . The implementation of earthen road was done by Project Implementation Committee (PIC). The PIC was

constituted with elected representative as Chairman and other members were elected members and local village representative. After approval of PIC sub-district engineer of LGED recommended for issuing advance payment of first installment out of four installments. Then Executive Engineer LGED issued government order (GO) towards sub-district food control officer and food control officer release food grains from local supply depot (LSD) . After utilization of 75% of first installment, second installment was issued then final payment was made on the basis of work completed.

2.4.2 Procurement System for implementing civil works

The implementation of pertinent structures on reconstructed roads and other civil works in rural areas was done by contractor. The contractor was selected through competitive bidding method. The Executive Engineer floated bid and select contractors. Prior to introduction PPR-2003 there is no standard bidding documents and bid was done by using government form 2911 for works and form 2908 for supply and services. Even bid evaluation committee (BEC) was formed with sub-district engineer within the district and district Executive Engineer was convener and there is no outside member in the BEC. Normally unit rate system was followed during bid process. The Executive Engineer approved bid which was below or equal to engineers estimate and the bid which was above engineers estimate was approved by the head of department as per recommendation of BEC. After selection of contractor the Executive Engineer issued notification of award (NOA) to selected contractor and agreement was signed between them. Here to mention that there is threshold value for procuring works. The Executive Engineers was responsible for floating bid for any volume of works.

The construction of rural roads especially Herring Bone Bond (HBB) and small structure works under some donors funded project was implemented through Labor Contracting Societies (LCSs). LCS is the community groups consisting of vulnerable groups of the societies. Each group has one chairperson and secretary. The Union Councils (UCs) the lowest tiers of local government bodies are responsible for selecting the LCS groups and members through competitive basis. After selection of particulars LCS groups Contract is signed between chairperson and executing agency for implementing certain works. Fund is channeled from

executing agency's account to LCSs account in different installment specified in the contract agreement. LCSs account is operated jointly by Chairperson and Secretary. Like as PIC second installment is released after 75 % depletion of first installment.

The district Executive Engineer and sub-district engineer was responsible for supervising, monitoring implementing the all rural infrastructure and made payment to contractors and LCSs and PICs.(LGED's Charter of duty)

2.4.3 Present Stage of Procurement in LGED: GOB program as well as Development Partners Perspective

2.4.3.1 The nature and scope of public expenditure

The annual expenditure for development program in FY 2011-12 of Bangladesh was around 41080 crore taka (www.plancomm.gov.bd). More than 80 percent of the annual development expenditure is spent mainly through government procurement. The countrywide major development projects are conducted by different agencies starting Prime Minister's office to local government entities. The major scopes of procurement are road sector, power sector, water and housing sector development and maintenance. Besides, scope of procurement in others service organizations such as Telephone and Telegraph etc.

LGED expended more than 4352 crore taka in 2011-12(www.lged.gov.bd). The major part of the budget for those expenditures provides from WB, ADB, IDB and others development partners. Under this budgetary allocation LGED is implementing infrastructure mentioned above.

2.4.3.2 Procuring Entities and Approving Authority at LGED

There is various level of Procuring Entities in LGED. Chief Engineer is the Head of Procuring Entity of LGED. The other main procuring entities are Project Director, Executive Engineer and Upazila Engineer. LGED has six level Approving authority. These are CCGP, Ministry of LGED, HOPE and three type PD(A-more than 50 crore, B-20-50 crore and C-below 20 crore). CCGP recommended for above 50 crore works and goods contracts and above 10 crore consulting service contract. Ministry of LGED approve 14- 50 crore works, 10-50 crore goods, 4-10 crore consulting service contract. HOPE approve 8-14 crore works, 4-10 crore goods, 2-4 crore consulting service contract. Project Director approve below 8 crore works, below

4crore goods and below 2 crore consulting service contracts. Chief Engineer LGED delegate power to district Executive Engineer for approve contract up to 4.0 crore within estimated cost (DOFP).

2.4.4 Procurement: GOB Projects

Presently, more than 60 number of rural infrastructure projects under government own budgets are being implemented through LGED. All procurements for works are done through National Competitive Bidding (NCB) following rules, regulations and procedures of PPR-2008. In Case of single projects larger than BDT 350 millions, prequalification of bidders is optional for NCB and ICB according to PPR-2008. In PPR-2008, there are provisions of Limited Tendering Method (LTM) and Request for Quotation (RFQ). The threshold for RFQ and LTM describe in PPR, 2008.

2.4.5 Procurement: Development Partners Funded Projects

From the reviewing of LGED website it is evident that 14 noës of projects in rural sector, 6 noës projects in urban sectors and two projects in water sector are being implemented by donors aided fund. There is procurement plan for each project according to their procurement guidelines. In that procurement plan threshold value for each item of procurement is mentioned. In general, goods, works and consulting services are procured by using donorës own procurement guideline and procedures or PPRë2008 as donor agreement. The method of procurement is selected according to threshold value of procurement plan. On the other hand, the procurement of works are being done following standard bidding documents of PPR-2008 but concurrence on sample bidding documents from perspectives donor is necessary. The selection of procurement methods depends on the threshold value for each method mentioned in the procurement plan agreed by both parties. The agreed procurement plan is part of loan agreement also.

2.5 Review of the DPP

The Development Project Proposal (DPP) which is the document for defining any project and its subsequent approval and implementation guidelines is used for any GOB development project. The DPP consists of a project summary and a project details with necessary annexure and attachments and appendices. The summary

consists of 13 points describing the key features of the project including Project Title, Sponsoring Ministry, Executing Agency, Objective, Location of the Project, Estimated Cost, Mode of Financing, Project Implementation period, Cost summary, Log frame, etc. The Project Details describe the Background, Objectives, Priority, Rationale/Linkage, Targets/Outputs/Outcomes, Project Outcomes, Project Components, Sustainability and Governance Issues in detail. (Planning Division,2008)

2.5.1 Review of DPP of Construction of Large Bridge on Upazila and Union Roads:

It is a GOB funded project for construction large bridge on upazila and union roads. Total cost of this project is about BDT 1406.00 m and duration of the project is from 2010 to 2015. This project will construct 150 bridge within stipulated time all over Bangladesh. The objective of this project is improve rural access and facilitate agricultural production through linkage between Upazila HQ, Growth Centres, Union Parishad, Rural Hat-Bazar and other higher category roads. (LGED,2009)

2.5.2 Review of DPP of Rural transportation Infrastructure Project (RTIP)

It is a IDA assisted project. Duration of the project is from 2003 to 2011. Total cost of the project is BDT 25723.00 m of which IDA given 16694.00m. It covers 26 districts of Bangladesh.

The objectives of the Project are:

- Overall improvement of the rural transport network of the project areas by Rural Infrastructure Development i.e. Construction/Maintenance of Upazila and Union Roads including Bridges/Culverts, Development of Markets, Structures on Union Roads, Development of Ghats (River Jetties) and their maintenance etc. to assist rapid expansion of the rural economy.
- Create direct employment opportunities for the rural poor including destitute women through construction and maintenance of rural infrastructure and to create short and long-term employment opportunity in the farm and off farm sector to assist poverty alleviation.

- To intensify good governance ensuring people's participation from local communities and strengthening the institutional capacities of Local Bodies and LGED for planning, implementation, maintenance and management of rural infrastructures at national, regional and local levels. (LGED, 2003)

CHAPTER 3: FINDINGS AND DATA ANALYSIS

3.1 Findings and Data Analysis

As set forth in the research objective, the main purpose of the study was to assess and compare performance of procurement and identify the factors which affect the performance of procurement. Available documents from the projects (RTIP and LBC) of LGED were collected and explored in details. Also a questionnaire survey has been conducted on the respective project officials and districts officials. The respondents include 2PDës, 4 DPDës, 8 XENës, 8 Sr. Aes, 2 Aes, 6 Ues. The next objective was to assess the factors which impact the performance of procurements of these projects.

Apart from the quantitative analysis from the questionnaire, more qualitative and fact finding survey was conducted on the key informants interview to assess the barriers of procurement procedure and processes.

A total of 40 contracts (20 from RTIP Project & 20 from LBC Project) were studied as sample and data of the selected contracts were collected from the records/files with help of project officials.

3.2 Background of the LGED Staff

3.2.1 Length of Service in LGED

Most of the LGED respondents of questionnaire survey are experienced. They are served almost more than 15 years in LGED. They are exclusively involved in the tender processing. The respondents (LGED officials) length of service describe below (Table-A);

Table-A: Distribution of LGED Official Sample by Length of Service

Types of Respondents	Number	Percentage
Below 10 years	4	13
10 -15 years	3	10
15 -20 years	12	40
Above 20 years	11	37
Total	30	100

3.2.2 Academic Qualifications

All 30 LGED officials have minimum B.Sc Engineering degree of which 13 officials have M.Sc Engineering degree . Two officials have completed MBA.

Table-B: Education Qualification of Interviewed LGED Staffs

Education level	Respondents	
	Number	Percentage
B.SC Engineering	17	57
M.Sc Engineering	13	43
Total	30	100

3.3 Findings from questionnaire survey

3.3.1 Information about respondents of questionnaire survey:

Sample size : 30

Designation : PD, DPD,XEN, Sr. AE, AE ,UE of LGED

Work experience : Between 5 to 28 years

LGED official are posted at LGED HQ and different Districts.

3.3.2 Analysis of the questionnaire survey:

The .factors which affected the performance of procurement of the project are assessed by analyzing the survey questionnaire. There are 12 questions in the questionnaire out of them 10 are closed questions and two are open-ended questions. The number of respondents is 30. Most of the responses of the questions were perception based mainly reflecting the experience of the respondents. The responses of the questionnaire survey were then analyzed in the subsections that follow:

In question no. 1 of the survey the key informants were asked about the knowledge of TOC and TEC members. Most of them opined that TOC and TEC members have good knowledge about procurement procedure. No respondent opined that members of TOC and TEC have very good knowledge in procurement.

Table 1: Knowledge of TOC and TEC members

Rating/score	Very Poor	Poor	Average	Good	Very Good	Total Frequency No/percentage
	1	2	3	4	5	6
Frequency	0	4	8	18	0	30
Percentage	0	13	27	60	0	100

In question no. 2 of the survey the key informants were asked about opening time of tender and fill up tender opening sheet. Most of them opined tender opened almost timely and TOS filled up almost correctly.

Table 2: Tender opening time and fill up tender opening sheet

Rating/score	Never	Few	Often	Very Often	Always	Total Frequency No/percentage
	1	2	3	4	5	6
Frequency	0	1	6	10	13	30
Percentage	0	3	20	33	44	100

In question no. 3 of the survey the key informants were asked about distribution of tender opening sheet (TOS) to tenderers. Most of them opined that tender opening sheet (TOS) generally is not distribute to tenderers.

Table 3: Distribution of Tender opening Sheet (TOS) to tenderers

Rating/score	Never	Few	Often	Very Often	Always	Total Frequency No/percentage
	1	2	3	4	5	6
Frequency	1	11	4	7	7	30
Percentage	3	37	14	23	23	100

In question no. 4 of the survey the key informants were asked about time taking by TEC to evaluate the tender. Most of them opined TEC evaluated the tender with stipulated time (As PPR, 2008).

Table 4: Time required for tender evaluation by TEC

Rating/score	Never	Few	Often	Very Often	Always	Total Frequency No/percentage
	1	2	3	4	5	6
Frequency	0	5	5	11	9	30
Percentage	0	17	17	36	30	100

In question no. 5 of the survey the key informants were asked about time taking by Tender Approving Authority to approve the tender. Most of them opined Tender Approving Authority generally approved TER within stipulated time.

Table 5: Time required for tender approval authority

Rating/score	Never	Few	Often	Very Often	Always	Total Frequency No/percentage
	1	2	3	4	5	
Frequency	0	4	9	15	2	30
Percentage	0	13	30	50	7	100

In question no. 6 of the survey the key informants were asked about compliance of advertisement of tender. Most of them opined tender advertisement complies with PPR, 2008.

Table 6: Compliance to PPR, 2008 of tender advertisement

Rating/score	Never	Few	Often	Very Often	Always	Total Frequency No/percentage
	1	2	3	4	5	
Frequency	0	1	1	8	20	30
Percentage	0	3	3	27	67	100

In question no. 7 of the survey the key informants were asked about issuing of Notification of Award (NOA). Most of them opined NOA is issued within stipulated time.

Table 7: Issuing of Notification Award (NOA)

Rating/score	Never	Few	Often	Very Often	Always	Total Frequency No/percentage
	1	2	3	4	5	
Frequency	0	1	6	10	13	30
Percentage	0	3	20	33	44	100

In question no. 8 of the survey the key informants were asked about submission of performance security and contract signing. Most of them opined submission of tender security and contract signing done by contractor within stipulated time.

Table 8: Compliance to PPR, 2008 of tender advertisement

Rating/score	Never	Few	Often	Very Often	Always	Total Frequency No/percentage
	1	2	3	4	5	
Frequency	1	0	4	19	6	30
Percentage	3	0	13	64	20	100

In question no. 9 of the survey the key informants were asked about imposing liquidated damage clause and contractor payment made on time. Most of them opined that generally liquidated damage clause was not imposed and contractor payment was not made on time.

Table 9: Imposing Liquidated Damage clause and Contractor Payment Made

Rating/score	Very Poor	Poor	Average	Good	Very Good	Total Frequency No/percentage
	1	2	3	4	5	
Frequency	5	7	13	4	1	30
Percentage	17	23	44	13	3	100

In question no. 10 of the survey the key informants were asked about maintaining the work by contractor up to defect liability period. Most of them opined contractors didn't maintain the work properly.

Table 10: Maintain of work by contractor up to defect liability period

Rating/score	Never	Few	Often	Very Often	Always	Total Frequency No/percentage
	1	2	3	4	5	
Frequency	0	8	11	10	1	30
Percentage	0	27	37	33	3	100

In question no. 11 of the survey the key informants were asked about Intended completion time. Most of them opined that generally work was not completed within Intended period.

Table 11: Intended Completion Time

Rating/score	Very Poor	Poor	Average	Good	Very Good	Total Frequency No/percentage
	1	2	3	4	5	
Frequency	9	11	9	0	1	30
Percentage	30	37	30	0	3	100

In question no. 12 of the survey the key informants were asked about cost to complete the works. Many of them opined that generally variation of cost is required.

Table 12: Work completed within original Cost

Rating/score	Very Poor	Poor	Average	Good	Very Good	Total Frequency No/percentage
	1	2	3	4	5	6
Frequency	0	3	12	13	2	30
Percentage	0	10	40	43	7	100

In question no. 13 of the survey the key informants were asked about quality of the works. Most of them opined that quality of works is good.

Table 13 : Quality of work

Rating/score	Very Poor	Poor	Average	Good	Very Good	Total Frequency No/percentage
	1	2	3	4	5	6
Frequency	0	0	11	15	4	30
Percentage	0	0	37	50	13	100

In question no. 14 of the survey the key informants were asked about the barriers that hamper current Procurement processing system?

There are various type barriers for procurement processing and contract management. These are lack of knowledge about procurement processing and contract management of stakeholders, single dropping increasing collusive & coercive practice, Critical tender document i.e. document is not user friendly, stipulated period for tender evaluation is too short, external members are not always available and lack of commitment of external members, mind set of officials and tenderers, lack of ethical standard, lack of knowledge of contractors for quoting prices etc. Political influence and fund crisis are also barriers for procurement processing system.

In question no. 15 of the survey the key informants were asked about few suggestions to improve of procurement. They suggested introducing E-procurement all over the country. This will reduce political influence and collusive and coercive practices. They also suggested that CPTU should be finalized Standard Tender

Document and it should be simplified and user friendly. Arrange training for tenderers to develop their skill for tender management and also contract management. To motivate political person should campaign about ownership of works. There should be introduce incentive for good works and be punished for bad works.

3.4 Findings of secondary data collected from Project files/documents

3.4.1 Information about project Files/Documents

A total of 40 contracts (20 RTIP & 20 LBC) were selected for study . Relevant data were collected of the selected contracts from the record/files with help of project officials. Data collected from records on the basis of pre-defined procurement performance indicator covering entire procurement process. Ten procurement performance indicators were selected to assess the performance of procurement. The indicators are Advertisement of tender opportunities in newspaper: Tender evaluation time; Tender evaluation approval time; Tender processing lead time; Efficiency in contract award; Delivery time; Liquidated damage; Late payment; Complaints; and Resolution of Complaints (for details see Appendix 3).

3.4.2 Analysis of data collected from Project files/Records

From the data it was found that Open Tender publicly was advertised: It was observed that 100% IFT(Invitation for Tender) were published in newspapers and published on CPTU web site (where applicable) of selected contracts.

Allowing minimum tendering time (average number of days between IFT publication and tender submission deadline in NCT(National Competitive Tender) : Average number of days required between IFT and tender submission is 38 days for selected RTIP contracts and 29 days for selected LBC project contracts. In both cases these are in compliance to PPR, 2008.

In case of Tender evaluation completed within timeline, in RTIP 11 contracts out 20 tender evaluations were completed within timeline (14 days), while in LBC project 17 contracts out of 20 tender evaluations were completed within time line. Thus, achievement was 55 percent in RTIP and 85 percent in LBC project.

It was found that contract award decisions were made within timeline by the approving authority: The average time taken by the approving authority was 83 days

(for 17 contracts) at HQ level of LGED and 15 days (for 3 contracts) for approving at district level for RTIP project. The average time taken by the approving authority was 41 days (for 9 contracts) at HQ level of LGED and 19 days (for 11 contracts) for approving tender at district level for LBC project.

In case of time taken between tender opening and award of contract: It seems that the average time taken between tender opening and award of contracts by RTIP was 62 days while it was 33 days in case of LBC project.

When we looked at contracts awarded within initial tender validity period: Out of 20 contracts of RTIP project, 16 contracts awarded within initial tender validity period. Out of 20 contracts of LBC project 18 contracts awarded within initial tender validity period. For this performance indicator, it seems that LBC project is better than RTIP project.

In case of contracts completed within original deadline: As per the records analysis it was observed that only 2 contracts were completed of RTIP project. Other 38 contracts of both RTIP and LBC projects were not completed within original deadline. Even some contracts have taken more than double time of actual intended time. For this performance indicator in RTIP is better than LBC.

When we wanted to find the liquidated damages imposed for delayed delivery/completion, it was found that liquidated damages were not imposed on any contract of the selected contracts. Both RTIP and LBC projects were reluctant for imposing liquidated damage for delayed completion.

In case of contracts with late payment: As per the records analysis, it was found all LBC contracts suffered for late payment. But in case of RTIP project most of the contracts payment made at due time. LBC project faced fund crisis as it is a GOB funded project. This project generally receives less funds than requirement. For this indicator RTIP performed better than LBC project.

Lastly, when evaluating tender procedures with complaints and resolution of complaints: As per the records analysis it was found that no contract face complaint against tender procedures for both projects.

3.5 Findings and analysis of the interview

3.5.1 Key Informant Interview with LGED Officials

Key informant interview has been conducted with one Project Director, two Deputy Project Directors, two Executive Engineers and two Senior Assistant Engineers. All of them told introducing of PPR 2008 was an evolutionary step in procurement sector. Before introducing that, there was no legal frame work in this sector. They told that PPR 2008 is excellent, but it may not be performed effectively and efficiently because the people involved in procurement process have been failed to maintain ethical standards. There are various types of procurement methods which help for segmenting procurement activities as requirement. PPR 2008 ensures different time periods for different activities. So PPR 2008 has significant impact on total procurement time. It has also provided adequate screening facilities for selecting qualified contractors on the basis of required qualification which will ensure quality of work. It has significant impact on cost. In PPR 2008, there is no opportunity to accept excessive high or low costs for contract (Rule 98 off PPR). The key informants told that aims of inclusion external in TEC cannot be achieved because, most of the external members do not get involved in the evaluation process. Generally they signed on evaluation reports as all members are equally responsible for the report. Less fund availability is one of the most crucial causes for delays of completion of contracts. They also opined that threshold of LTM tender for works 20.0 million is excess and it is a constraint to select experienced contractors because there is a provision in LTM method to select contractor by lottery. All key informants were of the view that PPR 2008 ensures discipline in procurement.

3.5.2 Key Informant Interview with Contractors

Key informant interview have been conducted with few contractors who are working now in different construction works of LGED. They have been asked about the performance of procurement. They told that by introducing PPR 2008 it has been possible to reduce lead time of tendering procedure. But the volume of tender document is huge and thus tender preparation cost is high. There is no incentive mechanism for better performance. There is also no recognition for delivery within stipulated time. Quality material is not available in local market. Fund crisis is one

of the most important issue for delays in contracts. They also said that there are no provisions for payment of extra charge for late payment. Price fluctuation of materials is also a problem for them and they faced financial loss for late payment and price fluctuation.

3.6 Summary of Findings

Both quantitative and qualitative analysis reveals that PPR²⁰⁰⁸ has had positive impact on transparency, lead time of procurement. There are also positive impacts on quality and cost of procurement. PPR²⁰⁰⁸ brought uniformity among all procurement activities. This study reveals that all procurement advertisement are published properly, in most of the cases stipulated time period could not be managed especially for evaluation of tender and approving of tender evaluation reports. Less availability of funds is also a problem for completion of works within the stipulated time.

The factors which affect the performance of procurement are knowledge and commitment of different stakeholders. Both officials and contractors lack ethical standards. Political influence is also affecting the performance of procurement. The limitation of time for different stages of procurement is also a barrier of performance.

In this study, the performance of procurement of RTIP, a donor funded project and LBC project, a GOB project was compared. Both projects performed equally in publication of advertisement, but in case of taking time for tender evaluation and contract management RTIP performed better than LBC project. More schemes were completed within initial intended completion period.

RTIP took more time for contract award decisions than LBC project as a donor funded project sometimes requires donor concurrence for award contracts. The fund flow is better in donor funded project than GOB project. Thus, the overall performance of procurement is better in donor funded project than GOB project.

Chapter-4: Conclusion and Recommendations

4.1 Conclusion

Based on questionnaire survey and analysis of secondary data the following conclusions can be made regarding performance of procurement and factors which affect the performance of procurement.

- a) Project lead time has increased due to lengthy process of tendering, complexity of evaluation process and approving procedure.
- b) Average as regards efficiency, it was found that in procurement process and contract management, PPR²⁰⁰⁸ ensured transparency and competitiveness.
- c) Procurement processing were delayed in approving process when it needs to get approval of higher authority. Delegation of financial power to district executive engineer was expedited the procurement processes.
- d) Recommendation made by TEC is critical due to inadequate guidance in regard to dealing with the lowest evaluated responsive tender when quoting was very low or high rate compared with market prices. PPR²⁰⁰⁸ allocates shorter period of time for evaluation.
- e) CPTU is responsible for publishing Standard Tender Documents (STD). But CPTU yet to finalize all STDs.
- f) Coercive practice may be arisen due to non-allowing submission of tenders at multiple locations. This may be political in nature at times.
- g) There is inadequate knowledge and/or lack of conceptual clarity of policy issues, and this hampers decision-making in procurement approving process.
- h) There is inadequate and/or lack of technical competency at the implementation level of stake holders.
- i) Procurement process is influenced by vested interest groups; Inherent resistance of unskilled staff to change *status-quo*; Reluctance to change behavior, to learn and adapt to new techniques; and there is inadequate campaign to influence stakeholders like political persons, media and also contractors or suppliers on the procurement process.

j) Moreover, RTIP and LBC projects have inadequate efficiency in tendering and contract management. They consume more time to evaluate and approve the tender . Both projects are reluctant to distribute tender opening sheet to tenders. Most of the contracts required extra time to complete with cost variations.

4.2 Recommendations

In view of the above, the following recommendations may be made:

- a) Improve monitoring of procurement performance in all the agencies using indicators through constant tracking of activities that will show expected deadlines/ deliverables/ requirements, deviations and reasons for deviations. A fit list may be prepared for posting a focal person for Procurement purpose in each project.
- b) Adapt some flexibility in the PPR to improve specific provisions for improving threshold levels of various methods (especially LTM threshold), using simple tender document for small contracts.
- c) Contract management needs to be improved through better supervision and quality control of works in accordance with contract provisions with particular reference to timeliness of completion/ delivery and imposition sanction measures like liquidated damages for delayed delivery.
- d) Adapt a communication campaign for behavioral and attitude change in various groups of society, especially for political leaders in order to utilize the money proposed for development within his constitution.
- e) Incentive/disincentive mechanism: Introduce incentive/disincentive mechanism (reward and punishment) by initiating punitive actions for bad performance and reward for good performance. The punished officials should be displayed in organization's web site.
- f) Introduce Electronic Government Procurement (e-GP) in all districts in LGED. This will ensure transparency and reduce unwanted disturbance.

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Institute of Governance Studies (IGS)

BRAC University

Survey Questionnaire

Research Topic: Assessment and Comparison of Procurement Performance of Rural Transport Infrastructure Project(RTIP) and Construction of Large Bridge on Upazila & Union Roads project of LGED

This is a survey questionnaire for conducting assessment and comparison of performance of procurement of RTIP and LBC project of LGED.. The aim of this research is to assess the performance of procurement and find out the factors which affect performance of procurement . It is a part of academic necessity for the Masters Program on "Procurement and Supply Management" in the Institute of Governance Studies (IGS), BRAC University. Your honest response is valuable for the researcher. The researcher assures you that the information given by you will be kept confidential & will be used only for the academic purpose.

Please fill the questionnaire

a) For how long are you serving / served in LGED?

less than 10 years	10-15 yaers
15-20 years	more than 20
years	

b) Mention Academic Qualification :

Please cross(x) most relevant one.

[Note: Consider Never=0%, Few is greater than 0% & less than 30%, Often is equal/greater than 30% & less than 70%, Very often is equal/greater than 70% & less than 100%, Always=100%)

Q-1: To what extent do you think TOC and TEC members have sufficient knowledge about procurement processing according to PPR,2008?

1= Very Poor, 2= Poor, 3= Average, 4= Good, 5= Very Good

Q-2: Do you think TOC open tender timely according to IFT and fill up Tender Opening Sheet (TOS) properly ?

1=Never, 2=Few, 3= Often, 4= Very often, 5= Always

Q-3: Does TOS distribute to the tenderers?

1=Never, 2=Few, 3= Often, 4= Very often, 5= Always

Q-4: Are TEC able to complete evaluation within stipulated time ?

1=Never, 2=Few, 3= Often, 4= Very often, 5= Always

Q-5: Do TER approve by proper approval authority within stipulated time?

1=Never, 2=Few, 3= Often, 4= Very often, 5= Always

Q-6: Is Tender advertisement compliance to PPR,2008 with respect to time and publication(newspaper, CPTU website)?

1=Never, 2=Few, 3= Often, 4= Very often, 5= Always

Q-7: Does NOA issue within specific time?

1=Never, 2=Few, 3= Often, 4= Very often, 5= Always

Q-8 : Are Tenderers Submit performance security and signing Contract within stipulated time?

1=Never, 2=Few, 3= Often, 4= Very often, 5= Always

Q-9: Do you think liquidated damage clause is imposed properly and Contractor payment made timely?

1= Very Poor, 2= Poor, 3= Average, 4= Good, 5= Very Good

Q-10: In how many cases do you think, the work maintained properly by the contractor even during Defect liability period?

1=Never, 2=Few, 3= Often, 4= Very often, 5= Always

Q-11: Do you think the work completed within initial intended completion date (Extension of time not required)?

1= Very Poor, 2= Poor, 3= Average, 4= Good, 5= Very Good

Q-12: Do you think the work completed with in original contract price (No price variation is required)?

1= Very Poor, 2= Poor, 3= Average, 4= Good, 5= Very Good

Q-13: Do you think PPR,2008 impact the quality of work ?

1= Very Poor, 2= Poor, 3= Average, 4= Good, 5= Very Good

Q-14 : What are the barriers that hampers current procurement processing system or processes?

Q-15. Please make few suggestions to improve performance of procurement within the present guidelines of PPA,2006 and PPR,2008.

Name & Signature (optional)

	Process Indicator	Performance Data
1.	Annual Procurement Plan	% of procuring entities prepared annual procurement plan
2.	Bid evaluation time	Average number of days between bid opening and completion of evaluation.
3.	Bid Evaluation Approval Time	Average number of days taken by the approving authority.
4.	Bid processing lead time	Average number of days between bid opening and Notification of Award (NOA).
5.	Efficiency in contract award	% of contracts awarded within initial bid validity period
6.	Delivery time	% of contracts completed within original deadline.
7.	Liquidated damage	% of cases liquidated damaged imposed for delayed delivery / completion.
8.	Late Payment	% of contracts where payment made late.
9.	Complaints	% of bid procedures with complaints
10.	Resolution of Complaints	% cases complaints have been resolved