

## EXECUTIVE SUMMARY

There has been a strategic shift in corporate policy about procurement in the last few decades in private sector as well as public sector throughout the world. Once procurement was considered important only in the manufacturing organizations and it was treated as a clerical activity. With great effort of procurement professional organizations and procurement professionals, it has been increasingly treated as a strategic unit with top level representation in company's board or public sector bodies. Most countries do not have specific procurement laws rather procurement is carried out through treasury rules. Most fund of the annual development program is spent through procurement of goods, works and services and the major fund providers to the development programs are the development partners in addition to government's own fund. Procurement professionals handle large chunk of money in the procurement by selecting vendors, contractors and consultants. So, the procurement professionals may have temptation to gain personal benefits from procurement. This embraces high risk in procurement. In order to minimize the procurement risk and ensure integrity, the development partners review procurement process at various stages. The review is carried out by various tools – such as prior review, implementation supervision, and post review, etc. No one tool is perfectly matched for all procurements considering the procurement principles – economy, efficiency, fairness and transparency, value for money, and equal opportunity to the competing firms. Depending on the threshold value the development partner like the World Bank (WB) uses prior review and post review tools. The basic objective of this study is to analyze the effectiveness of the procurement post review tool in mitigating procurement risks.

In this analysis, we choose projects and its contracts funded by the WB in Bangladesh as sample. The study is based on the secondary data received from the WB procurement post review reports carried out in the last three years (FY11, FY12 and FY13). However, all projects and contracts carried out in procurement post review by the WB in the above three years are not considered here all together. The projects for this analysis are considered as follows: (i) reviewed consecutively for three years, (ii) reviewed consecutively for at least two years, (iii) reviewed first time or gap between the years are not considered. But all contracts under the selected

project are considered as sample. The reason is to see the impact of procurement post review on the agency and the reliance on it. The WB reviewed 13, 14 and 25 projects in FY11, FY12 and FY13 respectively. The number of contracts in those years was 174, 110 and 308. We consider 12 projects among them and all contracts under them. The sample includes goods, works, and consulting contracts and contracts under ICB, NCB, Shopping, Fixed budget, Least cost, and Individual consultant selection methods.

The data were taken from the reports of the WB and the analysis was carried out from various angles to identify the benefits and bottlenecks of the procurement post review and to assess the effectiveness of the tool as most appropriate instrument to mitigating procurement risk. The deficiencies or deviations identified in the procurement post review process are categorized as major or minor in the fields of bidding process, evaluation and award, contract management and physical inspection. The deviations are analyzed in accordance with procurement types (i.e. goods, works, consulting and non-consulting) and procurement methods (i.e. ICB, NCB, Shopping, QCBS, Fixed budget, Least cost, Individual consultant selection). The deviations are also analyzed in the fields of PIU capacity, procurement process and contract administration/ management. Observations are analyzed each project wise. Deviations are analyzed in category-wise. Observations/ deviations are analyzed and compared across the procurement type, the procurement method, the year, the projects, and the fields.

Analysis is also carried out in contract number and contract value in monetary terms (BDT). All the efforts are taken to find the effect of the procurement post review in the procurement process.

After analyzing the data in different areas, the research findings are:

(1) Over a three-year period, the number of observations per contract reviewed has been reduced significantly from 2.43 (FY11) to 0.76 (FY13) with frequency of annual review. The trend of reduction is almost linear in characteristic.

(2) The number of observations regarding major deviations has been reduced from 36% (FY11) to 13% (FY13) almost linearly over the period.

(3) The number of observations regarding minor deviations has also been reduced from 55% (FY11) to 34% (FY13).

(4) The number of types of observations has been reduced significantly from 28 (FY11) to 14 (FY13), exactly 50%.

(5) The number of types of most common observations has been reduced from 16 (FY11) to 6 (FY13) over the three-year period.

The above observations indicate that through procurement post review the number of observations in the procurement process can be reduced significantly. Though most projects have excellent performance in reduction of observations either in major or minor nature, yet a few project have failed to achieve the improvement. The cause of such reverse affect could be further studied to know the inherent problems persisting in the implementing agencies. However, the general trend is positive.

Based on that above research findings, we can recommend the following:

(1) Frequent procurement post review can help reduce the procurement risk in the implementing agency level significantly.

(2) The frequency of PPR can be quarterly (in case of very many small contracts) or half yearly to reap the benefits of PPR.

(3) The PPR can be introduced in government purchase to reduce the procurement risk.

(4) Agreed actions on findings of PPR should be monitored regularly to improve the situations further.

The following areas can be researched to find out the efficacy of the PPR:

(1) Whether the procurement post review tool is a superior mechanism to reduce the procurement risk.

(2) Procurement post review is a very cost-effective tool compared to other risk mitigating tools.

(3) E-procurement can be used fully to eliminate the procurement post review permanently.