Governance in Public Procurement:
Effectiveness of E-GP in Bangladesh

Executive Summary

16 September 2020

Governance in Public Procurement:
Effectiveness of E-GP in Bangladesh

Executive Summary

Background and Rationale

- Public procurement is an important thing for our economy – A significant part of the development work at the national and local level executed through public procurement
- E-government procurement (E-GP) – One of the components of Public Procurement Reform Project II (2008-2016) jointly implemented by the GoB and the World Bank
- E-GP portal of CPTU started on 2 June 2011 to ensure transparency and efficiency in public procurement – a part of government commitment regarding digitization of public services by 2021
- Initially four agencies – Local Government Engineering Department (LGED), Roads and Highways Division (RHD), Bangladesh Water Development Board (BWDB), and Rural Electrification Board (REB) implemented E-GP
- Central Procurement Technical Unit (CPTU) manage the E-GP of all agencies -
  - Registered to E-GP – 47 Ministries, 27 Divisions, 1,362 public agencies, 61,417 Tenderers/ Consultants (up to April 2019)
  - Around 16,000 different type of stakeholder (Officer from procuring entity, contractor) received training from CPTU
- Globally identified as the fountain head of corruption in the public sector – globally at least US$ 400 billion a year lost to bribery and corruption in public procurement; estimated economic loss costs over 1.5% of GDP per annum
- Corruption in public procurement identified as a great problem also in Bangladesh in many international surveys
- Incidences of corruption identified in studies by TIB conducted on different sectors (power, telecom, health, climate finance) and institutions (Bangladesh Biman, CAG, LGED, WDB, NCTB); High portion of budget lost due to corruption in procurement process (from 8.5% up to 27%)
- As a member-state of UN, Bangladesh committed to achieve SDG 2030 – "Promote public procurement practices that are sustainable, in accordance with national policies and priorities" (Target 12.7)
- As a member-state of UN Convention against Corruption (UNCAC), Bangladesh is committed to – introduce a public procurement process to take in account transparency for reducing corruption, competition and precondition for decision making objectively
- Questions that can be raised on the basis of he above discussion -
  1. To what extent different public institutions comply with the standard procurement rules and practices? Which institutions are the best practicing ones?
  2. Is there any difference considering the institution and nature of procurement? Or is it institutionalized and universal?
  3. Do all the public institutions use E-GP for procurement? To what extent they use E-GP? What are the limitations of implementing E-GP?
  4. Has there been any qualitative difference or improvement with regard to governance by introducing the E-GP in procurement process? Is there any change or is corruption reduced due to E-GP system?
  5. Is there any improvement in the government procurement such as goods, implemented work and service?
- Most of the research in Bangladesh discussed on positive impact of using E-GP, tendency of procurement process and impact of people's monitoring
- No focused and in-depth study on the development of public procurement in the last nine years after introducing the E-GP system in the public institution

Objective of the Research

Main Objective

- To assess the effectiveness and application of E-GP system in the sector of public procurement of Bangladesh

Specific Objectives

1. To identify the level of compliance of different public entities against procurement laws and rules of E-GP
2. To identify the reasons behind any gaps in the procurement process
3. To assess the effectiveness of E-GP in different public entities
4. To offer corrective measures for addressing the existing challenges

Methodology

- Data collected by using qualitative methods; used quantitative data when required
- Four public entities that started E-GP system first have been selected for data collection – these institutions spent 20% of the government budget of 2019-20 FY
  - Local Government Engineering Department (LGED)
  - Roads and Highways Division (RHD)
  - Bangladesh Water Development Board (BWDB)
  - Rural Electrification Board (REB)
- Used internationally recognized method (Traffic Signal Method)
- The level of compliance of these entities against procurement laws and rules on the basis of key five dimensions divided into 20 indicators has been assessed
- Each indicator has three possible scores – high, moderate and low, represented by three colors; pre-defined conditions for giving score; the score put in the database for analysis

High Score	2	Green
Moderate Score	1	Yellow
Low Score	0	Red

Dimensions and Indicators At a Glance

Dimensions	Indicators	
Institutional Capacity	1. Financial Capacity 2. Infrastructural Capacity 3. Technical Capacity 4. Human Resource	5. Use of E-GP 6. Annual Procurement Plan 7. Limit of procurement
E-GP process	8. Registration in E-GP 9. Tender opening process 10. Pre-tender meeting	11. e-Advertisement 12. Tender evaluation process 13. Decision making
E-contact management	14. E-contact management	15. Implementation of work monitoring
Transparency & Accountability	16. Complaint redress mechanism 17. Audit	18. Asset disclosure of employees
Effectiveness	19. Irregularities & corruption	20. Quality of work

Scoring Method

- All scores of the indicators under a dimension are added. Then the percentage against the highest possible score of that indicator is calculated to get the score of that dimension
  - Example – an institution gets 8 in the first dimension (Institutional Capacity) (two indicators x 2, four indicators x 1, and one indicator got zero)
  - The highest possible score of this dimension is 14 (7 indicators x 2)
  - The score for this dimension is 8/14 x 100 = 60%

- For overall score, the total score of 20 indicators is considered as percentage against the highest possible score of all the indicators
  - Example – if an institution gets 17 in 20 indicators, the overall score is 17/40 x 100 = 42%
- A grading is assigned on the basis of the score
  - Good = 81% or more
  - Satisfactory = 61%-80%
  - Unsatisfactory = 41%-60%
  - Worrisome = below 40%

Data collection method

- Data was collected from the institutions included in the research and up to the level that are allowed to procure – Four out of eight administrative divisions were selected purposively from all over the country, one district selected from each division as well as one upazila (where applicable) from each district; data was also collected from central offices situated in Dhaka – data collected from 52 offices of the four institutions
- Review of Secondary Sources of data – relevant laws and rules, books, research reports, articles, institutional annual reports, audit reports, newspapers, websites
- Interview and group discussion as primary sources of information – Key informant interviews and In-depth interviews with procurement experts, concerned officials of selected public institutions, contractors, journalists (total 177); group discussion on the activities of each institutions if applicable
- Data collected from July 2019 to February 2020

Key Findings

- Public Procurement – "Purchasing or hiring of goods, or acquisition of goods through purchasing and hiring, and execution of works and performance of services by any contractual means" [The Public Procurement Act 2006, Article 2 (7)]
  - Public Procurement – any procuring entity can procure through using the government fund and following the above act [The Public Procurement Act 2006, Article 2 (32)]
- Central Procurement Technical Unit (CPTU) established in 2002 under the Implementation Monitoring and Evaluation Division (IMED) of Planning Commission as a part to reform the public procurement process
- The Public Procurement Act was enacted in 2006, and The Public Procurement Rules (PPR) was adopted in 2008; Law and regulation effective in January 2008
- 'e-Government Procurement (E-GP) Guideline 2011' was adopted according to The Public Procurement Act 2006 (Clause 65), and The Public Procurement Rules (PPR) 2008 (Rule 128)
- E-GP system was developed as a national portal – all procuring entities can implement procuring activities by using the web dashboard
- Activities that can be implemented through E-GP:
  - Annual Procurement plan
  - Invitation for tender
  - Request for proposal
  - Request for quotation
  - Tender/ Application/ Prepare proposal and submission
  - Tender opening and evaluation
  - Contract complete
  - Advertisement published
  - Contract management
  - Financial transaction
  - Monitoring, evaluation and correction of implemented activities through key indicators of information system
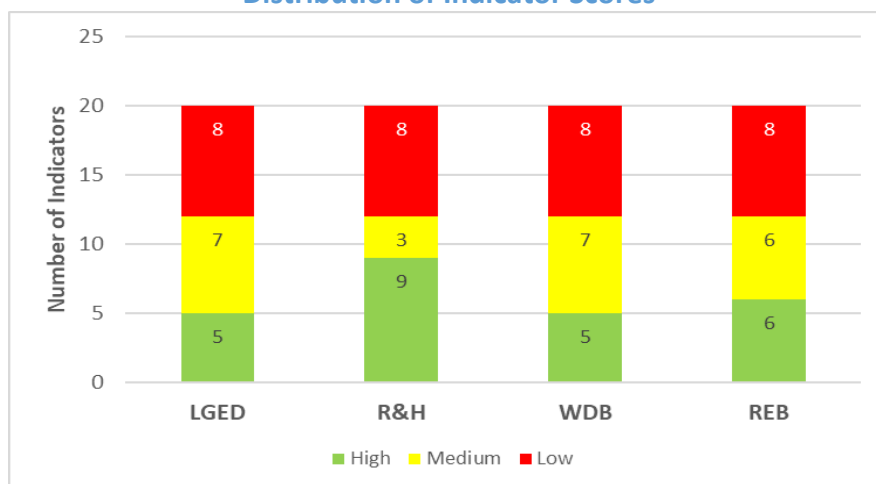
Overall Score

### Institutional Status of all Indicators At a Glance

Dimensions	LGED	RHD	WDB	REB
Institutional Capacity	Financial Capacity	Financial Capacity	Financial Capacity	Financial Capacity
	Infrastructural Capacity	Infrastructural Capacity	Infrastructural Capacity	Infrastructural Capacity
	Technical Capacity	Technical Capacity	Technical Capacity	Technical Capacity
	Manpower	Manpower	Manpower	Manpower
	Uses in E-GP	Uses in E-GP	Uses in E-GP	Uses in E-GP
	Annual procurement plan (APP)	Annual procurement plan (APP)	Annual procurement plan (APP)	Annual procurement plan (APP)
	Limit of Procurement	Limit of Procurement	Limit of Procurement	Limit of Procurement
E-GP process	Registration in E-GP	Registration in E-GP	Registration in E-GP	Registration in E-GP
	Tender opening process	Tender opening process	Tender opening process	Tender opening process
	Pre-tender meeting	Pre-tender meeting	Pre-tender meeting	Pre-tender meeting
	E-Advertisement	E-Advertisement	E-Advertisement	E-Advertisement
	Tender evaluation process	Tender evaluation process	Tender evaluation process	Tender evaluation process
	Decision making	Decision making	Decision making	Decision making
E-contract Management	E-contact management	E-contact management	E-contact management	E-contact management
	Monitor the implementation of work order	Monitor the implementation of work order	Monitor the implementation of work order	Monitor the implementation of work order
Transparency & Accountability	Complaint mechanism	Complaint mechanism	Complaint mechanism	Complaint mechanism
	Audit	Audit	Audit	Audit
	Asset disclosure of employee	Asset disclosure of employee	Asset disclosure of employee	Asset disclosure of employee
Effectiveness	Irregularities & corruption	Irregularities & corruption	Irregularities & corruption	Irregularities & corruption
	Quality of work	Quality of work	Quality of work	Quality of work

- RHD got the highest score in nine indicators followed by REB (highest score in six indicators)
- LGED and WDB got medium score in six indicators
- All procuring entities included in the research got lowest score in eight indicators

6

Distribution of Indicator Scores

Overall Scores
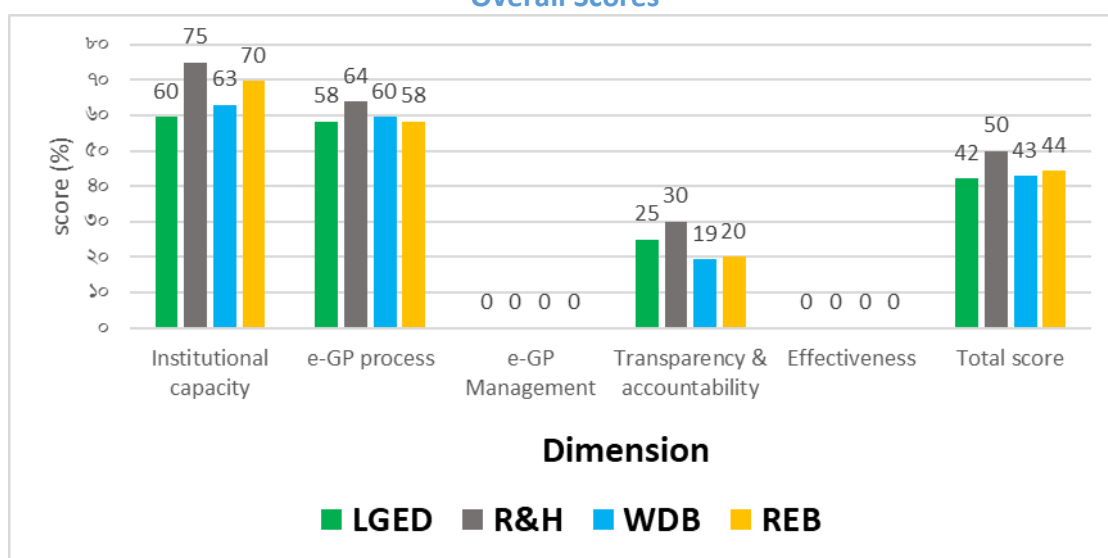
Grading

Dimsesion	LGED	RHD	BWD	REB
Institutional Capacity	Unsatisfactory	Satisfactory	Satisfactory	Satisfactory
E-GP process	Unsatisfactory	Satisfactory	Unsatisfactory	Unsatisfactory
E-contract Management	Worrisome	Worrisome	Worrisome	Worrisome
Transparency & Accountability	Worrisome	Worrisome	Worrisome	Worrisome
Effectiveness	Worrisome	Worrisome	Worrisome	Worrisome
Overall Score	Unsatisfactory	Unsatisfactory	Unsatisfactory	Unsatisfactory

▪ Among the procuring entities included in the research the highest scores got RHD (50%), followed by REB (44%), WDB (43%) and LGED (42%)

▪ In terms of institutional capacity, the position of all the procuring entity is quite satisfactory and close to the position (60% -75%); However, capacity of RHD and REB is relatively good

- Nearly all procuring entities received close scores on E-GP Process (58%-64%)
- In some cases the situation is worrisome and there is still much room for improvement – No institution has got score in E-GP Management and Effectiveness; again the score is much lower in Transparency and Accountability (19-30%).
- According to the Grading, all institutions have scored 'Unsatisfactory'; however, in E-GP Management, Transparency and Accountability, and Effectiveness the situation is 'Worrisome'
- Situation is worrisome in indicators – Annual Procurement Plan, pre-tender meeting, E-contract management, monitoring of work, audit, disclosure of wealth information of officials, irregularities and corruption, quality of work

Dimension 1: Institutional Capacity
Indicator 1: Financial Capacity
- All institutions included in the study have financial capacity to manage E-GP system

Indicator 2: Infrastructure capacity
- LGED (UZP level) and WDB is weak regarding the capacity of infrastructure – Inadequate infrastructure and logistics, in some areas are facing problem to manage E-GP activities due to power outage

Indicator 3: Technical capacity
- Shortage of computer, server slow, slow internet speed, absence of broadband connection exists at the WDB, REB &LGED (UZP office)
- In some cases Wi-Fi connection, and internet connection is not working- personal modem or private line used for internet connection

Indicator 4: Human Resource
- Almost all institutions have the required number of manpower; in some cases shortage of manpower against the sanctioned positions at the LGED (Upazila) & WDB's offices
- Lack of practical knowledge or willingness of the employee especially senior officials to manage the E-GP process (REB); In that case the computer operators of the concerned office managed the E-GP process on their behalf.
- Some upazila level officers of LGED did not get relevant training; Lack of training observed at the level of REB's Superintendent Engineer's office

Indicator 5: Use of E-GP
- Managing E-GP as per the E-GP guidelines is not always fully followed
- E-GP is not used in all purchases of any organization - 2% to 88% of purchases are not done through E-GP
    - E-GP not used in case of emergency procurement, international procurement, Request for Quotation method, Direct Procurement method
    - REB – E-GP not used in case of procurement at the association (samity) level
    - LGED- E-GP not used in case of procurement through international tender and by using donor fund; in many cases procurement at the Upazila Parishads do not introduced E-GP
- E-GP not used in case of works implemented by the armed forces

Indicator 6: Annual procurement plan (APP)
- No institutions upload the APP; only the list of ongoing and old projects is uploaded

Indicator 7: Procurement limit
- 'Delegation of Financial Power' determines the purchasing power of the concerned officer (according to designation); however, there are some differences among institutions

Dimension 2: E-GP Process
Indicator 8: Registration in E-GP
- According to the guidelines, all EGP users (procuring entity, contractors, development partners, operations and maintenance partners, evaluation committees) are required to register in E-GP system
- All procuring entities are officially registered; the contractors have to register and renew with a regular fee
- After introduction of E-GP, most of the contractors were registered with the help of the concerned office
- In some cases, contractors registered in the E-GP system with the assistance of computer operators by giving extra money – ranging from BDT 6,000 to BDT 10,000 for registration; some contractors registered on their own

Indicator 9: Tender Opening Process
- According to the guideline, a Tender Opening Committee (TOC) is to be formed with two members from the procuring entity for each purchase
- TOCs are formed by all procuring entities included in the research
- In some cases, the computer operators of the procuring entity log in the account for opening the tender on behalf of the concerned official
- The identity of the contractors is not kept secret before opening the tender in any procuring entity, although there is a rule – in some offices the computer operators submit the tenders on behalf of the contractors in exchange for money

Indicator 10: Pre-tender meeting
- No organization holds the pre-tender meeting for each purchase as per the guidelines

Indicator 11: e-Advertisement
- All procuring entities under this research publish advertisements regarding procurement in daily newspapers and E-GP portal, following the guideline
- However, tenders of some upazilas are not yet advertised on the E-GP portal as they are not called through E-GP portal

Indicator 12: Tender Evaluation Process
- According to the guideline, a Tender Evaluation Committee (TEC) has to be formed by each procuring entity
- TEC is formed by all procuring entities and tenders are evaluated as per the rules; however, the terms and methods of evaluation vary from institution to institution
- No procuring entity evaluates tender by using electronic devise except RHD
- There is a limitation to full verify the documents submitted by the contractor – there is no database for the contractors, so their experience has to be verified manually

Indicator 13: Decision making
- As per rules, all decisions related to procurement have to be uploaded on the E-GP portal especially notice and contract related decision
- At the end of the evaluation, a contractor who is considered to be a eligible for this contract is selected – he is notified through E-GP system and mobile phone
- Those who are not considered are not usually informed, but if anyone wants to know, he is informed

Dimension 3: E-GP Management
Indicator 14: e-Contract Management
- The contractor has to submit the action plan to the E-GP system – the contractor has to use the E-GP contract management tools to create the report at regular intervals. Rules for uploading

information, monitoring reports, photos and other documents about the progress of work in E-GP system
- E-contract management has not been implemented in any organization yet

Indicator 15: Implementation of work monitoring
- The offices are required to submit monthly reports on the progress of their work
- The officer-in-charge will upload various documents related to the E-GP (inspection report, photo etc.) on the website; there should be an auto alert system in case of any correction at work
- This process has not yet been incorporated into the E-GP system

Dimension 4: Transparency and Accountability
Indicator 16: Complaint redress mechanism
- As per the guidelines, a procuring entity should have a grievance redress mechanism – a grievance can be filed through letter or phone call, online or directly
- Effective grievance redress mechanisms exist in LGED and R&D offices – complaints can be filed and is disposed of; On the other hand, there are allegations that complaints to WDB and REB are not resolved properly

Indicator 17: Audit
- According to E-GP guidelines, all activities including procurement through E-GP have to be regularly audited as per the rules
- Regular audits (internal and external) are conducted in each of the institutions included in the study. E-GP activities are also included in the audit process
- However, according to the E-GP guideline, even if the system is supposed to maintain the audit log, no procuring entity complies with it; audit is not done through using the dashboard, rather audit is done through hard documents

Indicator 18: Disclosure of employee asset information
- According to the 'Bangladesh Government Servants (Conduct) Rules, 1989' all government employees are required to submit a statement of assets to their superiors in every 5 years
- No officials of procuring entities included in this study disclose information of their assets

Dimension 5: Effectiveness
Indicator 19: Irregularities and Corruption
- The public procurement process has been simplified – incidents such as snatching tender boxes, preventing tender submission, blocking office premises do not occur now
- However, according to officials of all procuring entities, there is a no relations between reduction of corruption and E-GP process
- Nature of irregularities and corruption existing even after introducing E-GP
  - Political influence: works are under control of local political leaders, and distributed among contractors. In some areas, political leaders, especially local MPs, decide who will submit tenders for a particular project. In many cases the local political leader distributes work among his juniors after securing the work with a credible license
  - Corruption in procuring offices:
    - Negligence of officials in the process of evaluating tender – preparation of evaluation reports by computer operators, allegation of patronage through increasing or decreasing scores etc.
    - Informing the rate schedule to contractors by officials
    - Taking support from computer operators illegally
    - Officials taking bribe for giving work order through Limited Tender Method (LTM)
    - Extorting bribe during supervising work, providing wrong information in progress report, and withdrawing bill after completion of work

- Collusion among contractors
  - Irregularities in Open Tender Method through syndication
  - Collusion between contractors, political leaders and officials of concerned offices in some areas
  - Selling or subcontracting work illegally
  - Getting work by using other's certificate and license
  - Contractors are forced to pay extra money to political leaders in working area; contractors from outside are not allowed to work

Indicator 20: Quality of work
- Opportunity to procure in a transparent way in the process of E-GP – possibility to improve the quality of work due to engagement of relatively good and skilled contractors
- However, according to most of the officials of procuring entities, quality of work is not dependent on E-GP
- The quality of work often has decreased even after introducing E-GP
- Quality of work has not increased due to corruption and selling of works

Positive Impacts of E-GP
- Time has reduced for printing of schedules, purchase and submission of schedules, collection and verification of documents
- The procuring process has been eased – purchase facility at local level offices, submission of tenders possible from anywhere in the country
- Problems related to submission of tenders reduced – all kinds of activities contravening law and order (snatching and stealing of tender boxes, obstruction of submission of tenders, stopping of bidding); law and order situation improved
- Corruption in tender evaluation has reduced – Losing tender papers, theft of tender letter etc.; No documents can be changed (tearing off certificate of experience to show ineligible or less qualified, change 'less' etc.)
- Opportunity for everyone to participate increased

Limitations of Implementing E-GP
Institutional limitations
- In some cases, infrastructural and technical problems exist at upazila level – slow internet, lack of logistics, power outage, insufficient time to open tenders (only 1 hour)
- Work pressure due to shortage of adequate and trained manpower in some institutions (LGED, WDB)
- Opportunity for Corruption due to Lack of skills – Risk of information leakage because of using procuring entity's password by Computer Operators; contractors hire computer operators of procuring entity for registration, submission of tenders
- Lack of E-GP implementation initiatives in the procuring entities
  - Not all purchases of all institutions have been made on E-GP yet (special and emergency procurement, international procurement due to no agreement with international banks)
  - APP not uploaded on the website
  - Pre-tender meetings not held
  - Delay due to manual verification of contractors' documents

limitations at the central level (CPTU)
- Absence of central database with information of all contractors
- Lack of central or integrated and automated evaluation framework (tender evaluation through automated system only available in RHD) – evaluated manually and then uploaded online
- Absence of an integrated certificate format
- Lack of initiative from the CPTU to register other stakeholders apart from major procurement stakeholders (procuring entities, contractors and banks)

- ▪ Inadequate training of contractors

Overall Observation
- ▪ Political influence, collusion, syndication are still playing a central role in obtaining work orders, although the procurement process has been simplified
- ▪ The introduction of E-GP in public procurement system is an important and positive step – but now it is not being used in all types of procurement by all procuring entities; the use of E-GP is still limited to work order only
- ▪ No effect of E-GP on reduction of corruption and improved quality of work is observed
- ▪ The introduction of E-GP has led to a shift from manual to technical government procurement, nonetheless, some stakeholders have found new avenues of corruption
- ▪ There is no positive impact on the quality of work because of selling the work, illegal sub-contract, distribution of work through negotiation
- ▪ Procuring entities still rely on manual methods in some cases, for which the purpose of E-GP (increasing participation, impartial evaluation) is severely hampered
- ▪ After overcoming the existing limitations, benefits of E-GP will be fully utilized

Recommendations
1. E-GP must be freed from the vicious circle of political influence, collusion and syndication. In order to achieve this all direct and indirect business opportunities between public representatives of all levels and persons in crucial positions with the state must be controlled

Institutional capacity
2. All procuring entities have to make all types of procurement through E-GP
3. The annual procurement plan of each procuring entity must be made at the beginning of each financial year and uploaded on the website
4. In order to manage E-GP, it is necessary to increase the manpower in procuring institutions according to the work pressure and organogram
5. All stakeholders including contractors and procuring entities should be provided training on a regular basis

E-GP process
6. Every purchasing organization needs to ensure pre-tender meetings
7. An online database on contractors must be developed where up-to-date information of all contractors will be included; contractors need to be categorized which will provide support in selection process
8. The CPTU should have an integrated automated tender evaluation system that will be used by all government procurement entities

E-GP management
9. The CPTU should initiate e-contract management and monitor the implementing work under E-GP

Transparency, accountability and effectiveness
10. Every procuring entity has to be audited as per E-GP guidelines
11. All information and decisions related to tender process should be disclosed to concerned contractors
12. Information on income and assets of officials of procuring entities and their family members must be submitted to the superior officer and disclosed at the end of each year
13. Activities of each procuring entity should be monitored at the local level with the participation of common people through community monitoring tools