



Local Government Engineering Department: Problems of Good Governance and Way Forward

Executive Summary

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Executive Summary

1. Background and Rationale

1.1 Established in 1992 under the Local Government Division of the Ministry of Local Government, Rural Development and Co-operatives, the Local Government Engineering Department (LGED) plays an important role in developing and maintaining infrastructure at the local level and creating employment opportunities. A significant part of ADP's (Annual Development Programme) allocation for infrastructural development is spent through LGED. Despite laudable achievements, it suffers from irregularities, mismanagement and corruption, as have been depicted in different research and media reports. In the absence of comprehensive and systematic research on existing irregularities and corruption in LGED, TIB has taken the initiative of undertaking a research to identify challenges to good governance within LGED and suggest ways forward.

1.2 Research Objective and Scope

The objectives of the present research were to:

- a. Identify the legal, structural and administrative limitations of LGED;
- b. Identify problems of good governance and their causes; and
- c. Suggest possible ways forward.

The research has reviewed the legal, structural and administrative processes of LGED that included an analysis of the Department's law, policy, regulation, budget, manpower, infrastructure and logistics. The research has also examined the project planning and implementation processes and the role of public representatives and local administration in it, and has analyzed the processes of audit and evaluation of LGED projects. With respect to the project implementation process, the present research investigated one large project implemented by LGED at local level. The findings of this investigation therefore are not applicable to all projects and every official. However, it provides a picture of existing corruption and governance problems in LGED.

1.3 Research Methodology

This is basically a qualitative research. However, some relevant quantitative information was also collected and analyzed. The techniques used for collecting information included: key informant interview, group discussion and observation. Officials of different institutions (LGED, Planning Commission, IMED, CAG and CGA), contractors, and local stakeholders like Water Management Cooperative Association (WMCA), Local Contracting Society (LCS), journalists, and people of local community were the primary sources of information. Secondary sources of

¹The report was released on 21 July 2013 in a roundtable held in Dhaka.

information included relevant law, regulation, research reports, various LGED documents, Bangladesh Economic Review, audit reports of CAG, CGA and IMED, newspaper reports, and LGED and other websites. The research was conducted during the period from February 2010 to May 2013.

The draft report was shared with the LGED authority for their feedback before finalization in several rounds. In addition to the feedback provided in the initial round of sharing session, LGED also arranged a separate three-day long orientation session for the research team on different aspects of LGED. Part of the information provided by the LGED authority in the form of feedback and during the orientation session was also verified from the field level and incorporated accordingly. The updated report was then shared in two separate sessions with the LGED authority and after each sharing further adjustments were made. The report was thus finalized and the findings of the study developed a joint ownership.

2. Research Findings

2.1 LGED's Legal Structure and its Limitations

LGED works on the basis of several legal, strategic, and policy instruments which include Rural Development Strategy, Urban Management Policy, National Water Policy, PRSP-2, Local Government Engineering Department Recruitment Rules 2009, Public Procurement Act 2006 and related Rules-2008 and Government Vehicle Policy 1982. LGED also follows Outsourcing Policy, Rural Road and Bridge Maintenance Policy, and Project Director Recruitment related policy. The Department, however, does not have a separate recruitment policy for its project employee. According to the Recruitment Rules (LGED) 2009, employees get promotion on the basis of examination, merit and seniority but the policy does not indicate any measures for evaluation of efficiency and experience in fulfilling a role. No policy exists for the use of different types of project logistics and vehicles.

2.2 Institutional Limitations and Irregularities

2.2.1 Abuse of absolute power of Chief Engineer

The Chief Engineer has been vested with absolute power which provides the scope for abuse of power in all aspects of LGED such as human resource management (recruitment, promotion, posting and transfer), selection of project directors, and the procurement process. Charged with absolute power, according to the respondents, every Chief Engineer, former and present, has abused their power in all these aspects. Example of use of the Department's employee for personal work by the Chief Engineer is also mentioned.

2.2.2 Problems and irregularities in human resource management

- **Recruitment:** Problems and irregularities have been identified in the recruitment process under the development and revenue budget. Recruitment of first class employee is done by the Public Service Commission through a very lengthy process. Also due to cases in the High Court, the first class and third class positions remained vacant for a long time. LGED has no annual plan for the recruitment of project employee. After completing one project, its employees used to be recruited to another project without any selection examination. There was also a practice of not providing appointment letter in recruitment in projects, however, which is not practiced now.

- **Posting:** Political influence, bribe and influence of Chief Engineer is observed in cases of postings to favorable districts and sub-districts. In August 2012, as many as 1,837 employees got posting under revenue budget through violation of rules.
- **Transfer:** Bribe, political influence, and lobby play important role in the transfer process. The local political leaders often influence the LGED head office to transfer officials unwilling to meet their illegal demand. Also, officials are always keen to get transfer to field level because there is scope to earn illegal money.
- **Promotion:** The seniority list for promotion has been changed five times from 1990 to 2008 with violation of seniority. The number of sanctioned posts in different positions is inadequate and often engineers at various tiers are given additional responsibility of a higher rank. The Chief Engineer assigns these responsibilities by office orders, which is a violation of rule.

2.2.3 Irregularities in the process of consultant recruitment

Recruitment of consultants often involves irregularities. Most of the consultancy services are assigned to the same institutions or persons repeatedly. The case of consultancy in the IDA funded Chittagong Hill Tracts Development project is an example of such irregularities. No advertisement was published in the newspaper for the consultancy instead some LGED officials were shown as consultants in the project with high salary.

2.2.4 Irregularities in use of logistics

Project logistics (furniture, computer, vehicle etc.) are used by the instruction of Chief Engineer. Logistics use process is not transparent.

- **Violations of the vehicle policy:** Head office employees do not follow the respective government policy regarding the use of vehicles. Also, office vehicles are used by the officials for personal visit to outside Dhaka with official coverage for driver's overtime and other expenses. Accurate information on use of vehicles by the representatives of development partners/foreign missions and consultants for scheme visit is not available. Information on how many vehicles are used at the district/sub-district level is also not available. Also different ministries use LGED vehicles when needed with all expenses borne by LGED.
- **Corruption in vehicle maintenance:** Employees of the vehicle section are involved in corruption related to vehicle maintenance and equipment purchase. They submit false bills for servicing. Though LGED has its own service garage cars are often serviced (or shown as 'serviced') in other garages and inflated or false bills are submitted.

2.2.5 Internal and external audit

The problems identified in the report of CAG and internal audit include extra payment, less payment, and non-payment of revenue earned from different sectors to government account. The amount involved in external audit objection was Tk 13,694 million in total over the years since the establishment of LGED. Often the auditors are bribed by the LGED office and the audit is done more 'favorably'. There is lack of technical personnel for audit of engineering works, and given their huge number it is not possible to complete the audit of all the projects due to inadequate human resource.

2.2.6 Information management and disclosure

The Citizen Charter of LGED is not exhibited in the head office and local office. As a result the common people and relevant stakeholders are not aware about what is there in the charter. Although it is available in the LGED website, service related detail information is not properly reflected in it. Information related to manpower, budget, project proposal, and different reports of relevant institutions of LGED (IMED, CAG, and CGA) were not found at LGED website. E-governance is yet to be extended to various levels.

2.3 Irregularities and Limitations in Project Planning Process

2.3.1 Political influence in the project planning process: Usually the areas of the MPs of ruling party are selected as the project location. Projects are designed accordingly on political considerations. Some areas of political significance get priority during different governments. Often, after approval of the project, project planning changes by pressure of ruling party's MPs.

2.3.2 Irregularities in feasibility study: Nepotism was prevalent in the recruitment process of consultant for conducting feasibility study. LGED authority often followed illegal process in consultant recruitment. Project planning without feasibility study is also common.

2.3.3 Delayed feedback and lack of cooperation to consulting firms: After completing the discussion with local people, UP chairman, member and other stakeholders, a consulting firm submits the draft report to the LGED official for feedback. But LGED officials are always late in giving the report back due to inadequate staff. In some cases, consultants do not get the desired support from the field level Executive Engineer.

2.3.4 Lengthy implementation process and amendment of the project proposal

Almost all projects of LGED are implemented on long term basis. In the process projects are amended several times, and as a result a five-year project is often extended for another five to six years. Due to the long duration maintenance is required for the work implemented under the early phase of the projects. This creates a problem as fund for maintenance work is not usually budgeted in the original project plan.

2.3.5 Irregularities in cost estimation in project proposal

Different types of irregularities are found in the estimation of cost, such as excess allocation, low allocation and allocation for the equipments which are not necessary.

2.3.6 Lengthy process from conception to implementation

It takes two to three months from conception to preparing proposal. A project needs about eight months from planning phase to final approval, and in few cases, four to five years to reach to the implementation phase after approval. The proposal of the project observed in this research was approved by the ECNEC in 1992 and the implementation started in 1997.

2.3.7 Influence of development partners in project formulation

Development partners play an important role in the decision making process of foreign assistance project. LGED formulates projects based on demands of development partners. Foreign consultants are recruited based on preferences of development partners.

2.4 Corruption in Project Implementation

2.4.1 Political influence in giving work order

The process of giving work orders is controlled by political party leaders at the local level. Members of the ruling party, parliament members (MPs), ministers or their relatives control the work order through capturing the tender process. Also, MPs get unnecessary projects approved for their areas on political ground. Often political leaders and engineers together manipulate the work order process for personal gain. Sometimes, work is distributed to political leaders before even tender is submitted. Engineers are forced to take decision in favor of the political leaders. Sometimes engineers face threat and physical assault by the contractors (usually having affiliations with ruling political party) when anomalies are reported from technical inspections.

2.4.2 Controlling tender

At the local level, the tender process is controlled and manipulated in several ways, which include informing contractors before the advertisement is published, controlling the publication of advertisement, submission of schedules through political negotiation, influencing the tender evaluation committees and local administration. The specific mechanism to control the tender process varies according to the local setting.

2.4.3 Irregularities in license use

At the local level, using other's license for schedule purchase and tender bidding is a common practice. LGED is aware of this and a section of the employees works as accomplice in this malpractice. Some of the contractors having insufficient experience use license of other experienced contractors to get work order.

2.4.4 Selling work order

Selling work order after getting it from LGED is another regular practice. Work orders are sold out to others for a specific amount of commission.

2.4.5 Corruption through mutual understanding between engineers and contractors

At the local level, the following irregularities take place through mutual understanding between contractors and engineers.

- **Changing information after getting the work order:** To get the work order contractors submit a competitive price quote. But during the assessment of tenders or after getting the work order, documents are changed on the basis of negotiation and mutual understanding between engineer and contractors. The changed tender documents usually increase the quoted price 5% and the money is divided between the engineer and contractors.
- **Irregularities related to performance security money:** Contractors usually withdraw their performance security money within two to three days after getting work order through mutual understanding with the engineers. In return the contractors pay a portion of that security money to the engineers. This illegal withdrawal of security money increases risk of loss for LGED.
- **Schemes not implemented according the project plan:** In some cases, schemes are not implemented according to original plan. During field observation it was found that two UP complexes and eight growth centers were not built at all whereas the original project plan was to build six UP complexes and 45 growth centers. As a result Bangladesh government incurred a financial loss of total of Tk 22 million.

2.4.6. Corruption in collecting bills

- **Extortion by Engineers:** It was found that, in some cases, executive engineers demanded money from the contractors for lobbying the head office for fund release. This happened, in some cases, when the fund had already been released from the head office.
- **Taking commission from the contractors' final bill:** The contractors need to pay a specific percentage, a total of around 8.5% - 10.5%, of their bill amount as commission to various LGED officials. According to LGED's annual reports, between the fiscal years 2007-09 and 2011-12 the department paid Tk 255,630 million as bills. If the above percentage were equally applicable to all the projects implemented by LGED, an estimated amount of Tk 21,728.55 to 26,841.15 went to LGED officials as commission (at the rate of 8.5% to 10.5%) during these five fiscal years. However, as mentioned above, no generalization is possible from data from one project as observed under the present research.
- **Lengthy process of withdrawing security deposit money and payments:** According to LGED's rules, all bills have to be paid one week prior to the termination of a project. In practice bills often remain unpaid even up to one year or even more after the completion of projects due to the unavailability of funds.

Table 1: Amount (in percentage) collected from the contractor's bills by LGED employees

Employee	Amount of money (in percentage) from the contractor's bills
Executive Engineer	0.5% - 1%
Assistant Engineer	1%
Sub- Assistant Engineer	2% - 3%
Accountant	1%
UNO	0.5%
Project Consultant	1%
Upazila Engineer	1%
Project Director (Fund Release)	1%
Total	8% - 10%
Additional Commission for GoB financed project	
Treasurer	0.5%
Total	8.5% - 10.5%

Source: Key informant interviews with local level contractor, journalist, and other stakeholders. Above rates may not be equally applicable for all LGED projects and all LGED and other officers/employees.

2.4.7 Other Types of Corruption

Technicians receive bribe from the contractors for providing better lab test reports. In these cases the reports do not reflect the real quality and type of materials used in particular construction project. The amount of bribe to be paid to the test technicians is determined by the type of materials to be used in construction.

2.5 Limitations in Project Monitoring and Evaluation

- **The use of inappropriate monitoring formats:** The monitoring formats are designed for indicator based quantitative information only. The formats do not give information on the

qualitative aspects of projects. Hence, the monitoring and evaluation reports give a partial depiction.

- **Influence of project engineers on monitoring and evaluation:** The consultants pick a number of schemes under a particular project as sample for project monitoring. However, this selection is influenced by the project engineers.
- **Problems in project monitoring and evaluation:** There are inadequate human resources at the local LGED offices to monitor all projects. As many as at least hundred schemes under twenty projects operate under a local office which makes the proper monitoring work cumbersome. Often the consultants and senior engineers prepare monitoring reports without field inspection. On the other hand, IMED evaluates LGED projects based on sample schemes. But 15-25% of the schemes taken as sample may not reflect the actual scenario. Moreover, IMED lacks staffs having technical knowledge on various aspects of engineering projects which made their monitoring work ineffective.
- **Lack of post-project supervision:** In some cases the absence of supervision after the project is completed hampers the project's effectiveness.

3. Analysis of Causes and Effect of Irregularities and Corruption in LGED

3.1 Causes of irregularities and corruption

3.1.1 Partisan influence: Partisan influence in recruitment, promotion, project planning, and implementation is prevalent in LGED. Political party's influence extends to the local level where project implementation and work order processes are controlled by local party leaders and their affiliates.

3.1.2 Lack of transparency: The research found lack of transparency in LGED's decision making regarding human resource management. It was also observed in the tender process. The absence of any mechanism for disclosure of information on administrative and project implementation adds to the problem.

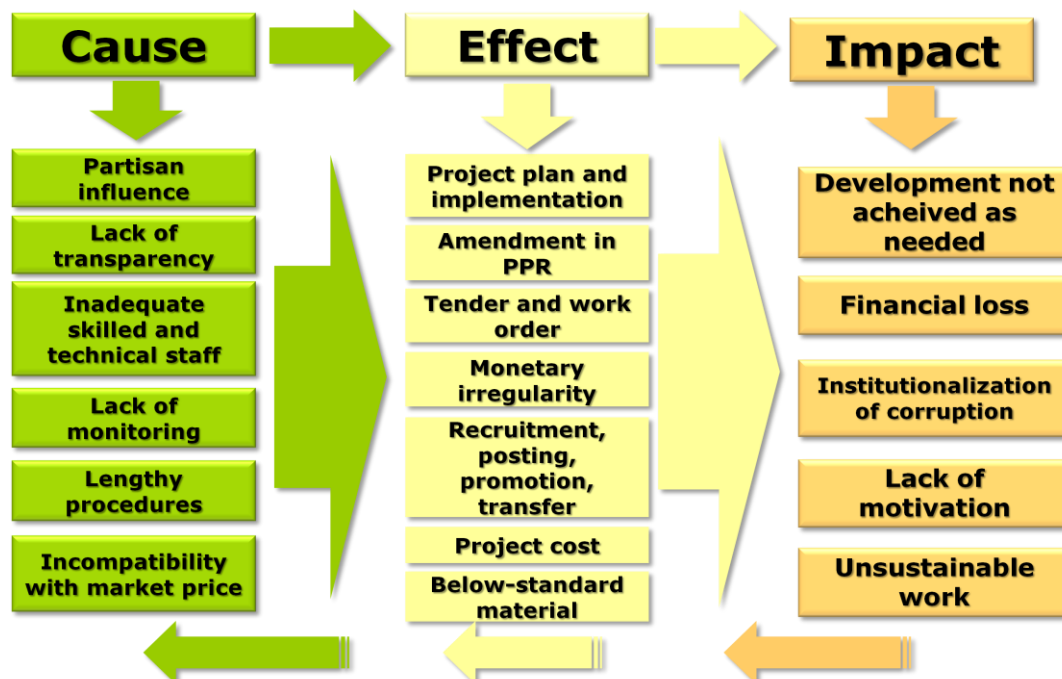
3.1.3 Inadequate skilled and technical staff: LGED and IMED suffer from inadequate skilled and technical staff for carrying out the regular monitoring and evaluations tasks. This results in a limited monitoring scope and lack of transparency and accountability on the quality of work and accounts and expenditure.

3.1.4. Incompatibility with market price: LGED's schedule rate often does not match the market price. To compensate for the low price the contractors is bound to resort to corruption.

3.1.5 Lengthy procedures: There are tendencies of time-consuming processes that have adverse effects. As a result scopes created for influence of development partners in the project planning process, politicization of project planning, project planning without feasibility study, long project duration and the amendments in the project plans. The budget allocation and approval process also suffer from lengthiness.

3.1.6 Lack of monitoring: Finally, the absence of an adequate and effective monitoring and accountability mechanism result in lack of transparency in administrative decision making, human resource management, activities at field level and use of logistics.

Figure 1: Causes, Effects and Impacts of Corruption and Irregularities at LGED



3.2 Impact of Corruption and Irregularities at LGED

3.2.1 Development goals not achieved as required: The influence of development partners, politicians and LGED in project planning and implementation does not allow the projects to achieve actual development goals desired by local people.

3.2.2 Financial loss: Corruption and irregularities at various stages of project planning and implementation have obvious implication for inefficient use of resources. The lengthy implementation process often brings financial burden in the form of compensation to development partners. The credit provided by development partners accompanies a number of terms and conditions, including the time-scale of projects, violation of which incurs penalty ('commitment fee') on the part of LGED.

3.2.3 Institutionalization of corruption: It was found that in some instances (such as 'commissions' from bills) corruption was institutionalized in LGED due to political influence and weak governance structure.

3.2.4. Lack of motivation: The employees in both the revenue and development sectors of LGED reported lack of motivation in the workplace due to irregularities and corruption in human resource management.

3.2.5 Unsustainable work: The contractors use low quality materials to compensate for the bribe they pay to LGED officials and the difference between the schedule price and ever rising market price. The contractors commonly expressed that it was not possible to do quality work paying bribe. In some cases contractors have to suspend their work due to delay in payment which hamper the quality of work. As a result the construction does not become sustainable.

4. Conclusion

It can be said that the LGED has significant contribution to the development of rural infrastructure. The control of irregularities, corruption and institutional limitations could have made the department more effective in achieving development goals. LGED's irregularities and limitations are geared by two factors. The first is external factors, which are beyond the control of LGED, such as political influence, ministry's influence, limitations of related institutions (i.e. CGA, CAG, IMED), market instability, lengthy process. The second is internal factors such as irregularities in human resource management, lack of effective monitoring, violation of policies and lack of transparency. It is observed that there is a tendency of using LGED for political purpose at local level and the Department is considered as a source of personal gain for local political leaders. In many cases corruption has been institutionalized in the department.

4.1 LGED's initiatives to counter governance problems

LGED has taken a number of initiatives to mitigate the governance problems that exist within the institution. The most notable initiatives are:

- Updating the seniority list;
- Resuming the recruitment process; starting the incorporation of staff in revenue sector following the court verdict;
- Taking administrative measures (show cause, departmental case) based on complaints;
- Staff training for capacity building;
- Initiating e-governance; LGED is committed to bring all procurement process under e-governance in the next three years;
- Using modern technology for quality monitoring and assessment activities (road condition survey, roughness survey, deflection survey);
- Developing GIS (geographic information system) maps;
- Updating regional schedule rates;
- Determining specific standards for design and construction works.

4.2 Recommendations

4.2.1 Policy level

1. Relevant laws need to be amended in order to stop the involvement of MPs in local development activities, while strengthening local government institutions. Need assessments for the projects should be done by related local government institutions. Incorporation of 'politically influenced' projects in the ADP will have to be stopped.
2. LGED needs to create a human resource unit. The unit will remain responsible for various types of recruitment, promotions, postings and transfers.
3. Recruitment rules needs to be formulated for recruitment under development budget.

4. Capacity for assessment, monitoring and evaluation of LGED, IMED, CAG, CGA has to be enhanced. Both qualitative and quantitative aspects of monitoring and evaluation need to be enhanced.
5. Positive (reward, promotion etc.) and negative (punitive measures for proven anomalies) incentives for the employees has to be put in place.

4.2.2 Institutional level

6. LGED has to strengthen its existing accountability mechanism.
7. LGED has to formulate and implement a Code of Conduct for its own staff.
8. LGED officials and employees at all levels and their relatives have to disclose their statements of wealth and properties every year. Any proven anomaly in income and wealth will have to be treated with strict measures.
9. Policy for the use of project logistics should be formulated so that those are used in a transparent manner.
10. The present government policy with regard to the use of vehicles must be followed for personal and full-time use. Monitoring should be strengthened in case of maintenance of vehicles and purchase of machineries.

4.2.3 Project planning and implementation

11. Maintenance fund should be allocated for the projects with more than three years tenure.
12. Tender schedule rate and market price should be compatible.
13. E-procurement process should be implemented at every tiers/ steps of procurement.

4.2.4 Information disclosure and accountability

14. An updated citizen charter should be exhibited openly in the central and local offices.
15. Information on all projects and schemes of LGED should be disclosed for mass people through local representatives or local government institutions.
16. Local voluntary organizations (e.g. Committees of Concerned citizens of TIB) should be involved in monitoring implementation of LGED projects.

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