

Procurement performance in power sector of Bangladesh: a comparative study of a government agency and a public limited company

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

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Dedicated to

My beloved daughter Triya

Declaration

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Executive Summary

The power sector in Bangladesh faces numerous problems characterized by lack of supply capacity, frequent power cuts, unacceptable quality of power supply, and poor financial & operational performance of the sector entities. Lack of good governance along with poor procurement management is considered to be the root cause of these problems. According to a report by the World Bank, procurement is considered as the single most significant issue affecting public sector performance in Bangladesh, with enormous wastage of money.

Procurement of goods, works, plants, physical and intellectual services is an integral part of the development process. According to Transparency International Bangladesh the procurement process in power sector has been distorted due to unwanted intervention in the procurement process, complexities of the tendering process, wrong evaluations, corruption such as putting specific condition, collusion between the bid officials and tenderers etc.

An assessment on the procurement performance of the four largest government organizations (considering procurement size and spread) including a power sector organization, i.e. Rural Electrification Board (REB) was conducted by the World Bank in the year 2009 which states that Bangladesh has made good progress in establishing the foundations for an effective public procurement system by introducing necessary legislations and regulatory institutions. The assessment further showed that among four organizations REB appeared to show better performance.

REB, one of the largest organizations in power sector of Bangladesh, showed improved procurement performance compared to other three large government agencies; but its procurement performance was never compared against the corporate bodies, i.e. public limited companies in the same sector, which are perceived to be better performing with respect to procurement activities.

The main objective of the study was to evaluate, compare and contrast the procurement performance of a government agency (REB) with a public limited company (Dhaka Electric Supply Company Limited, DESCO) in the Power Sector of Bangladesh in terms of transparency, efficiency and competitiveness. The specific objectives were to find out the bottlenecks that create delay in the procurement process and also to find out areas of improvement for both the

organizations. The evaluation was conducted on the basis of a set of Key Performance Indicators (KPI) covering all three study areas, i.e. transparency, efficiency and competitiveness. Eighty procurement contracts for two financial years (FY2012-11 and FY 2011-10) were thoroughly studied to gather data that eventually translated into key performance Indicators.

The study revealed that the overall attainment of the two organizations in respect to their performance in procurement functions have been showing a gradual improvement from FY11 to FY12. The organizations ensured transparency in procurement through advertising 100% of the invitations for tenders in widely circulated newspapers.

However, performance is poor as regards to the efficiency of procurement process and contract management in REB compared to DESCO, and it is moderate in terms of competitiveness and transparency for both the organizations. Procurement processing delays primarily during tender evaluation and approval have been identified as one of the major challenge in REB, and it was observed that the higher the hierarchy levels of procurement decision-making, the lesser the efficiency of the procurement system.

Efficient and effective procurement management is of paramount necessity for power sector organizations in order to produce and provide quality electricity and related services to the consumers. By making the procurement system more transparent and less time consuming organizations can attract large number of suppliers, and thereby facilitate higher competition among the suppliers which will result in procurement of good quality products with competitive price. Thus organizations will be able to provide better quality electricity and related services to the consumers.

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Abbreviations/Acronyms

AA	Approving Authority
ADB	Asian Development Bank
BPDB	Bangladesh Power Development Board
CPTU	Central Procurement Technical Unit
DESA	Dhaka Electric Supply Authority
DESCO	Dhaka Electric Supply Company Limited
GoB	Government of Bangladesh
IFT	Invitation for Tender
IMED	Implementation, Monitoring and Evaluation Division
KPI	Key Performance Indicator
NCT/B	National Competitive Tendering/Bidding
OECD	Organization for Economic Co-operation and Development
OTM	Open Tendering Method
PGCB	Power Grid Company Bangladesh Limited
PROMIS	Procurement Management Information System
REB	Rural Electrification Board
TEC	Tender Evaluation Committee
TIB	Transparency International Bangladesh
TOC	Tender Opening Committee
WB	World Bank

CHAPTER 1

INTRODUCTION

1.1 Background

Bangladesh, with a population of about 150 million and a land area of 147,570 square kilometers, is amongst the most densely-populated countries in the world. The country is vulnerable to natural disasters and extremely sensitive to climate change impacts. Despite the challenges, Bangladesh has managed to graduate to a higher growth trajectory and maintain an average GDP growth around 6 percent in recent years. Poverty has also decreased in recent years, keeping Bangladesh on track to meet the Millennium Development Goal of halving extreme poverty by 2015(*The World Bank*¹, 2012). However, the infrastructure deficits in a number of areas but especially in power sector are emerging as the main threats to maintain its growth in exports and GDP (*The World Bank*², 2012).

The power sector in Bangladesh faced numerous problems characterized by lack of supply capacity, frequent power cuts, unacceptable quality of power supply, and poor financial & operational performance of the sector entities. Lack of good governance along with poor procurement management is considered to be the root cause of these problems. In fact, procurement is considered as the single most significant issue affecting public sector performance, with enormous wastage of money(*The World Bank*³, 2002).

Procurement of goods, works, plants, physical and intellectual services is an integral part of the development process. A survey by Transparency International Bangladesh⁴(2007) reveals, “the procurement process in power sector has been distorted due to unwanted intervention in the procurement process, complexities of the tendering process, wrong evaluations, absence of uniform Technical Evaluation Committee (TEC), delay in hiring consultants and resolving disputes due to bureaucratic dilemma, corruption such as putting specific condition, nepotism, extortion by vested interest groups, collusion between the bid officials and tenderers, false experience certificate submitted by tenderers, appointment of contractors for maintenance and

¹Bangladesh Development Series, The World Bank, 2012

²Project Appraisal Document, Rural Electrification and Renewable Energy Project-II, The World Bank, 2012

³The Country Procurement Assessment Report for Bangladesh, The World Bank, 2012

⁴The State of the Governance in the Power Sector of Bangladesh: Problems and the Way Out, TIB, 2007

rehabilitations without any tender, abuse of funds by policy-level staff and supply of low quality machinery violating the contract”

Bangladesh has made substantial effort over the last few years and achieved impressive gains in procurement policy reform actions within the country(*The World Bank*⁵, 2009). With a view to ensuring uniform procurement practices among the procuring entities and also to improve transparency, efficiency and competitiveness in public procurement, the Public Procurement Act, 2006 (PPA) and subsequently Public Procurement Rules, 2008 (PPR) were introduced and made effective from January 2008. Thereafter, all the GoB funded procurement in all the sectors including Power Sector were implemented following these rules and procedures.

An assessment on the procurement performance of the four largest government organizations (considering procurement size and spread) including a power sector organization, i.e. Rural Electrification Board (REB) was conducted by the World Bank in the year 2009⁵ which states that Bangladesh has made good progress in establishing the foundations for an effective public procurement system by introducing necessary legislations and regulatory institutions. However, the results of this assessment show that overall performance of the system has been poor to average. The performance is poor as regards to efficiency of procurement process and contract management, and it is average in terms of competitiveness and transparency. Procurement delays are a major challenge, affecting project implementation. The higher the level of contract approving authority, the lesser is the efficiency of the procurement system. For large value contracts approved at the ministry or higher level, such delays are significant. The assessment further showed that among four organizations REB appeared to show better performance (*The World Bank*⁵, 2009).

1.2 The Problem Statement

Measurement of procurement performance is a continuous process. It provides good insights to the policy makers to find out areas where interventions required for further performance improvement(*CIPS*⁶, 2011). Measuring procurement performance also facilitates benchmarking with the industry leaders. REB, one of the largest organizations in power sector, showed improved procurement performance compared to other three large government agencies; but its procurement performance was never compared against the corporate bodies, i.e. public limited companies in

⁵Assessment of Implementation of Public Procurement Regulations, The World Bank, 2009

⁶Measuring Purchasing Performance, Chartered Institute of Purchasing and Supply, 2011

the same sector, which are perceived to be better performing with respect to procurement activities. As corporate bodies thrive for profit, having efficient procurement system is the key to achieve that objective (*CIPS⁷, 2011*).

1.3 Objective of the Study

The main objective of the study is to evaluate, compare and contrast the Procurement Performance of a Government Agency with a Public Limited Company in the Power Sector of Bangladesh in terms of transparency, efficiency and competitiveness.

The specific objectives are-

- To find out the bottlenecks that create delay in the procurement process.
- To find out areas of improvement.

1.4 Scope of the Research

The research was conducted on a Government agency and a public limited company in the Power Sector of Bangladesh. Dhaka Electric Supply Company Limited (DESCO), an electricity distribution company supplying electricity to the northern part of Dhaka City and TongiPouroshovawas selected as the company, as it is the oldest and most profitable company in the power sector of Bangladesh (*Siddique, 2010*).As government agency, Rural Electrification Board (REB) was selected. Both organizations core business is electricity distribution and therefore have similar procurements.

These two organizations procure goods, plants, works and all kind of services. As goods procurement has the largest share in the overall portfolio, this study was concentrated on the goods procurement only.

These two organizations procure goods following a number of methods, i.e. Open Tendering Method (OTM), Request for Quotations (RFQ), Direct Procurement (DP), and Framework Agreement etc. As OTM is the most preferred method as per PPR-2008, this study was concentrated on procurement followed by OTM only. Further, contracts following National

⁷Purchasing Context, Chartered Institute of Purchasing and Supply, 2011

Competitive Bidding funded by GoB/DESCO's own fund were studied as International Competitive Bidding (ICB) contracts follow donor specific procurement guidelines and approval procedures.

1.5 Research Methodology

The objective was to assess the procurement performance of the organizations using a set of performance indicators similar to OECD-DAC/World Bank benchmarking exercise (OECD⁸, 2006). Mainly secondary data were used in this study. Eighty procurement contracts for two financial years (FY2012-11 and FY 2011-10) were thoroughly examined to gather data that eventually translated into key performance Indicators (KPI). Data were also collected from Procurement Management Information System (PROMIS) of Central Procurement Technical Unit (CPTU), Govt. of Bangladesh. Some primary data were also collected through key informant interviews. Research methodology is discussed in the Chapter 4: Research Methodology.

1.6 Limitations

The research was limited to evaluate and compare procurement performance in terms of transparency, efficiency and competitiveness. There are other important dimensions of public procurement, i.e. effectiveness, value for money, accountability, which were not considered for this research. The research was limited to the procurement contracts following open tendering method only. Considering all procurement methods used in the organizations were deemed to provide the overall picture. Only goods procurement was considered for the study. Another limitation of the study was that the research was based on the procurement conducted in the headquarters of the concerned organizations, considering the decentralized procurements would provide the total picture. Only 80 contracts were studied against thousands of contracts. Increasing the sample size would provide more representative results.

⁸Methodology for assessment of national procurement systems, Organization for Economic Co-operation and Development, 2006

1.7 Chapter Outline

The whole report is presented in six major chapters, of which the first chapter is 'Introduction'. The other chapters are as follows:

Chapter-2 'Organizational Orientation' covers brief history of power sector of Bangladesh, introduces the study organizations, REB and DESCO, their key activities, organizational structures, position of procurement function within the structures and brief discussion on the procurement functions.

Chapter-3 'Literature Review' covers the main issues/key topics related to the study as a theoretical background which includes performance indicators used in similar type of studies to evaluate procurement performance.

Chapter-4 'Research Methodology' covers in detail how the research was conducted, data collection techniques, sampling and sources of data.

Chapter-5 'Analysis of the Results' is the main part of the report and covers in detailed discussion on the results found against 23 key performance indicators.

Chapter-6 'Findings and Conclusion' covers the outcome of the study with discussion.

CHAPTER 2

ORGANIZATIONAL ORIENTATION

2.1 Background

The power system includes every activity from electricity generation to reaching the electricity to the end users. Generally power system can be divided into three components, viz. generation, transmission and distribution. Since the inception of Bangladesh, Power Development Board (PDB) was responsible for the electricity generation, transmission and distribution of the entire country. GoB promulgated the Rural Electrification Board Ordinance 1977 on 31 October 1977 to create the Rural Electrification Board (REB). Its primary responsibility is to carry out electrification of rural areas all over the country. At that time the consumption of electricity of the Greater Dhaka region of PDB was about 62 percent of the total electricity produced in Bangladesh (*Alam et al, 2004*). Therefore, to provide quality service it was a necessity to establish a separate authority to distribute electricity in this core area. The result is Dhaka Electric Supply Authority (DESA). DESA was established in the year 1991 and within a few years it became a losing concern, due to huge corruption and poor performance with respect to system loss and account receivables. Workers' association was also a significant problem of DESA.

The poor revenue collection performance of DESA was also hurting the generation and transmission side of the Power Sector as cash inflows to the sector come only from distribution agencies. To solve these problems Government of Bangladesh took an initiative to unbundle the Power Sector in the form of Public Limited Companies. As a result, aiming to provide better consumer service and to improve revenue collection Dhaka Electric Supply Company Ltd. (DESCO) was created in November 1996 under the Companies Act 1994 as a Public Limited Company, taking over some jurisdiction area of DESA. However the operational activities of DESCO at the field level commenced on September 24, 1998.

2.1.1 Supply Chain

REB and DESCO purchase electricity primarily from Bangladesh Power Development Board (BPDB), authority responsible to generate electricity. Electricity is transmitted from the Power

Plants to REB and DESCO's receiving sub-stations through the National Grid. Power Grid Company Bangladesh Limited (PGCB) is in-charge of the National Grid and they receive wheeling charge for transmission of electricity through the National Grid. REB and DESCO distribute electricity to the consumers through its own distribution network and collect revenue against the electricity usage.

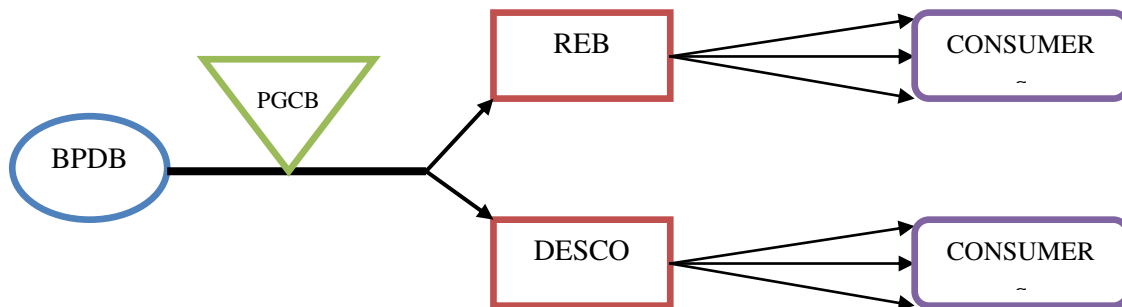


Figure 2.1:Electricity Flow Diagram

2.2 Rural Electrification Board (REB)

GoB promulgated the Rural Electrification Board Ordinance 1977 on 31 October 1977 to create the Rural Electrification Board (REB). REB is a statutory, semi-autonomous government agency reporting to the Ministry of Energy and Minerals Resources. Its primary responsibility is to carry out electrification of rural areas all over the country. The Ordinance empowers REB to carry out a number of functions, some of which are:

- ✦ Establish electricity generation, transmission, transformation and distribution systems (“electricity system”) in the rural areas of Bangladesh.
- ✦ Organize prospective consumers of electricity into formal and informal groups, cooperatives, societies, associations and companies (which may generically be called rural electrification societies or RESs) for execution and management of schemes for distribution or generation of electricity and providing related services. The Palli Bidyut Samity (PBS) is the most widely known RES.

- ⌘ Provide funds on loan to RESs for execution of electricity system schemes, operation and management of related works and services, and for providing loans to group members to obtain electric connections and connectivity equipment.
- ⌘ Hand over completed schemes to any RES for operation and management.
- ⌘ Take over and manage electricity systems, together with their assets and liabilities, from the Bangladesh Power Development Board and other organizations.
- ⌘ Operate such taken over electricity systems, or hand those over to any RES to operate.
- ⌘ Receive supply of electricity from Bangladesh Power Development Board at government determined rates.
- ⌘ Function as the registering authority of PBSs.
- ⌘ Approve the rates to be levied by RESs for sale of electric power to their members. REB will make sure that the rates enable the RESs to at least recover costs of financing, operation and maintenance, and depreciation of assets.



2.2.1 REB management

The organization is guided and run by a board. The board of REB is headed by its chairman who is nominated by the government. There are four full-time Members and four part-time members. The part time members are drawn from four different organizations: Bangladesh Power Development Board (BPDB), Bangladesh Small and Cottage Industries Corporation (BSCIC), Bangladesh Rural Development Board (BRDB) and Bangladesh Agricultural Development Corporation (BADC). The government selects and appoints the members of the board. The four permanent members head four departments: administration, engineering, finance, and PBS training and assist the chairman to carry out his responsibilities. The organization structure of REB is shown in the accompanying diagram.

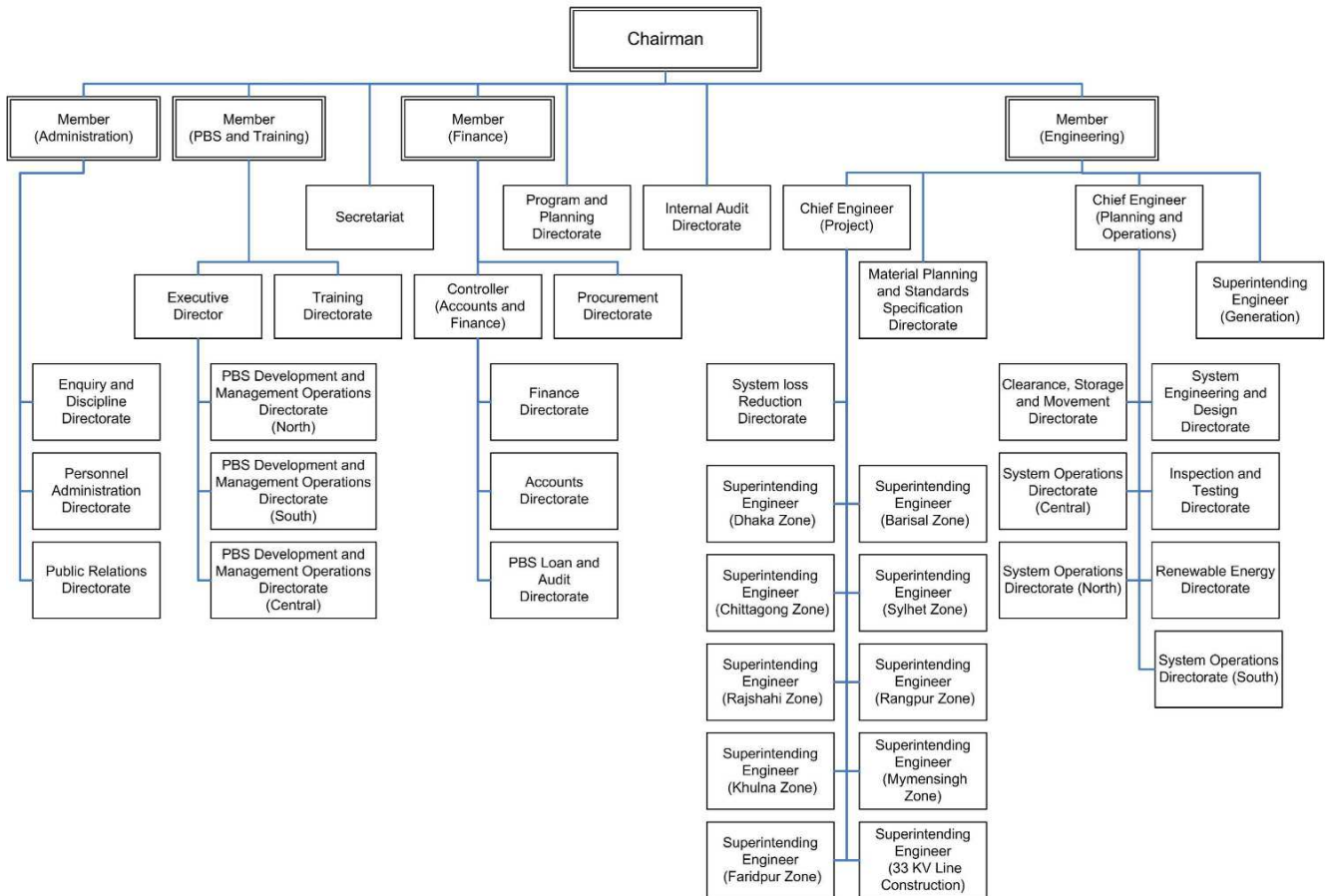


Figure 2.2: Organogram of REB

2.2.2 Procurement Management

There are in total 12 procuring entities in REB. All goods, equipment, plant and service procurements are centralized at the procurement directorate headed by director procurement and all works procurements are decentralized at 11 zonal offices headed by superintending engineers.

2.2.2.1 Procurement Approving Authority

Directors are empowered to approve procurements of BDT 5 million or less, Members of BDT 20million or less, Chairman of BDT 50 million or less, and the Board of BDT 120 million or less. Anything above that goes to the Ministry for approval, and all purchases above BDT 250 million must be approved by the Cabinet Committee on Government Purchases (CCGP). REB procurements almost always fall within the approving authority of its Board.

2.2.2.2 Procurement Guidelines

Being a GoB entity, REB follows PPA-2006 and PPR-2008 in all its procurement activities. Only exception is the donor funded projects. In case of donor such as the World Bank, the Asian Development Bank (ADB) funded projects; procurements are usually conducted following donor specific procurement guidelines which are in principle similar to PPA-2006 and PPR-2008.

2.3 Dhaka Electric Supply Company Limited (DESCO)

In the process of Power Sector Reforms by way of unbundling the power sector and increasing efficiency in the area of electricity distribution, Dhaka Electric Supply Company Limited (DESCO) was created as a distribution company in November 1996 under the Companies Act 1994 as a Public Limited Company with an Authorized Capital of Tk. 5 billion. However the operational activities of DESCO at the field level commenced on September 24, 1998. At present 75% shares of DESCO is owned by Government of Bangladesh and rest 25% is owned by individuals and institutions through Stock Exchange (DESCO⁹, 2012). The service area of DESCO is mainly the northern part of Dhaka City, Viz. Mirpur, Pallabi, Kafrul, Kallyanpur, Gulshan, Banani, Cantonment, Baridhara, Badda, Uttara, Daxin Khan, Tongi Pourashava and Purbachal Model Town. The service area is about 220 square kilometers except Purbachal Model Town. Its major activities involved:

- ✦ Supplying electricity to consumers.
- ✦ Collecting revenue against electricity usage.
- ✦ Maintain all the lines, appliances related to distribution system.
- ✦ Installing new lines, substations etc. in the newly developed area and existing area to fulfill the ever rising demand of electricity.



⁹ DESCO, Annual Report, 2012

2.3.1 DESCO Management

Under the guidance of an eleven members Board of Directors, the company is run by a management team headed by the Managing Director. The desk jobs and supervisory activities are generally carried out by DESCO employees under its regular payroll while the field operational activities have been outsourced. The organization structure of DESCO is shown in the accompanying diagram.

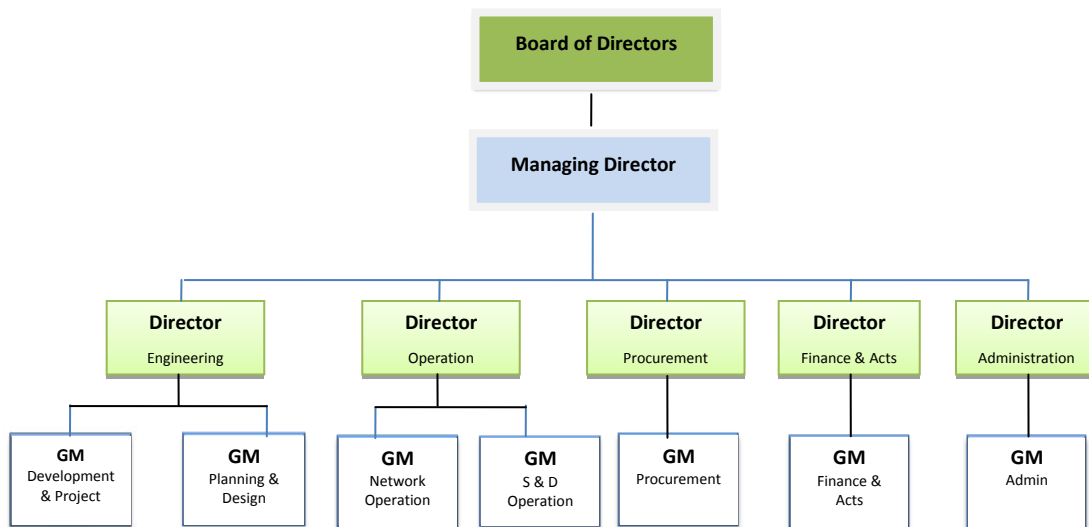


Figure 2.3: Organogram of DESCO

2.3.2 Procurement Management

DESCO has centralized procurement management structure. All goods, equipment, works, plant and services procurements are centralized at the procurement division.

2.3.2.1 Procurement Approving Authority

DESCO Managing Director along with two other directors is empowered to approve procurements of BDT 30 million or less. Anything above that goes to the board for approval. Board possesses unlimited approving power. All procurements above BDT 3 Lac are conducted by the procurement division headed by Deputy General Manager.

2.3.2.2 Procurement Guidelines

Being a company registered under the Companies Act 1994, following PPA-2006 and PPR-2008 is not mandatory for DESCO regarding the procurement under its own finance. Therefore, DESCO follows its own procurement guidelines approved by the board which is in principle similar to PPR-2006. However, in case of procurements funded from the GoB budget, PPR-2008 is fully followed. In case of donor, i.e. the Asian Development Bank (ADB) funded projects; procurements are usually conducted following donor specific procurement guidelines which are also in principle similar to PPA-2006 and PPR-2008.

2.3.2.3 Purchasing Methods and Thresholds

In DESCO procurement methods and corresponding threshold depends on the source of fund. Funding specific procurement methods are listed below (*DESCO¹⁰, 2007*).

DESCO's Own Fund

- Open Tendering Method (OTM)
 - Single Stage Single Envelope (up to BDT 10 million)
 - Single Stage Two Envelopes (above BDT 10 million)
- Direct Procurement
- Request for Quotations (usually up to BDT 3 lac)
- Direct Quotation (usually up to BDT 50 thousand)
- Direct Cash Purchase (usually up to BDT 30 thousand)

GOB Fund

Usually Open Tender Method is used – all tenders follow Single Stage Single Envelope procedure of OTM.

ADB Fund

Usually Open Tender Method is used – all tenders follow Single Stage Two Envelopes procedure.

¹⁰ DESCO, Procurement Guidelines, 2007

CHAPTER 3

LITERATURE REVIEW

3.1 Introduction

Different authors defined performance in different ways. According to Federal Highway Administration, U.S. Department of Transportation (2009), “Performance is a qualitative or quantitative measure of outcomes, outputs, efficiency, or cost-effectiveness”.As per National Committee for Quality Assurance, USA (2009) “Performance is a quantifiable measure to assess how well the organization carries out specific functions or processes”

According to Chartered Institute of purchasing and Supply (CIPS), using Key Performance Indicators (KPI) is the best way to measure procurement performance of an organization (CIPS¹¹, 2011). Performance of two organizations can also be effectively compared through KPI.

3.2 Key Performance Indicators (KPI)

Organization for Economic Co-operation and Development (OECD) together with the World Bank developed (OECD¹², 2006) a set of indicators to assess the national procurement capacity. These performance indicators are the basis for subsequent KPIs developed to measure the performance of public procurement. OECD performance indicators address the following areas of public procurement system. Detail indicators along with required information and possible source of information are listed in detail in the [Annex-II](#).

- **The public procurement legislative and regulatory framework.**
 - Procurement methods.
 - Advertising rules and time limits.
 - Rules on participation and qualitative selection
 - Tender documentation and technical specifications.
 - Tender evaluation and award criteria
 - Submission, receipt and opening of tenders
 - Complaints system structure and sequence

¹¹ CIPS, Measuring Purchasing Performance Text Book, 2011

¹² Organization for Economic Co-operation and Development, Methodology for assessment of national procurement systems, 2006

- **Implementing Regulations and Documentation**
 - Model tender documents for goods, works, and services.
 - Procedures for pre-qualification.
 - Existence and coverage of General Conditions of Contracts (GCC) for public sector contracts.
- **Integration and mainstreaming of the public procurement system into the public sector governance system.**
 - Budget law and financial procedures support timely procurement, contract execution, and payment.
 - Systematic completion reports are prepared for certification of budget execution and for reconciliation of delivery with budget programming.
- **Normative and regulatory functions.**
 - Adequacy of organization, funding, staffing, and level of independence and authority (formal power) to exercise the duties under (b).
 - Separation and clarity of responsibilities to avoid conflict of interest in the execution of procurement transactions.
- **Institutional development capacity.**
 - Systems and procedures for collecting and monitoring national procurement statistics.
 - Training capacity for procurement.
- **Efficiency of procurement operations and practices.**
 - Norms for the safekeeping of records and documents related to transactions and contract management.
- **Functionality of the public procurement market.**
 - Effective mechanisms for partnerships between the public and private sector
 - Private sector institutions are well organized and able to access the market.
- **Existence of contract administration and dispute resolution provisions.**
 - Procedures are clearly defined for undertaking contract administration responsibilities
- **Effectiveness of control and audit systems**
 - Enforcement and follow-up on findings and recommendations
 - The internal control system provides timely information on compliance to enable management action

- The internal control systems are sufficiently defined to allow performance audits to be conducted.
- **Efficiency of appeals mechanism.**
 - Capacity of the system for handling and enforcing complaints decisions.
 - Fairness of the complaints system.
- **Anticorruption Measures**
 - Evidence of enforcement of rulings and penalties
 - Effectiveness of the anticorruption measures on public procurement.

Subsequently, inspired by the OECD indicators, the World Bank used following 35 indicators while assessing the implementation of Public Procurement Regulations in Bangladesh (*The World Bank*¹³, 2009).

Table 3.1: Procurement Performance Indicators by World Bank

Indicator #	Process/Area	Procurement Performance Indicator
1.	Annual Procurement Plan	% of procuring entities prepared annual procurement plan
2.	Contract packaging	% of contracts in a procurement plan appropriately packaged.
3.	Advertisement of tender opportunities in newspaper	% of open tender publicly advertised
4.	Advertisement of tender opportunities in CPTU's website	% of open tender (above threshold) advertised in CPTU's website
5.	Multiple submission of tender	% of cases allowed submission of tenders in multiple locations.
6.	Tender preparation time in open tendering method	Average number of days between IFB publication and tender submission deadline.
7.	Tender preparation time compliance	% of cases allowed adequate time for tender preparation.
8.	Sale of tender documents	Average number of tender documents sold
9.	Tenderers' participation	Average number of tenderers submitting tenders.
10.	Tender Opening Committee formation	% of cases TOC included at least one member from TEC.
11.	Tender Evaluation Committee formation	% of cases TEC formed by contract approving authority.
12.	Outside member in TEC	% of cases TEC included two external members outside the procuring entity.
13.	Tender evaluation time	Average number of days between tender opening and completion of evaluation.

¹³The World Bank, Assessment of Implementation of Public Procurement Regulations, 2009

Indicator #	Process/Area	Procurement Performance Indicator
14.	Compliance of tender evaluation time	% of cases tender evaluation has been completed within timeline.
15.	Tender Acceptance	Average no. of responsive tenders
16.	Re-tendering	% of cases TEC recommended for re-tendering
17.	Tender Evaluation Approval Time	Average number of days taken by the approving authority.
18.	Submission of evaluation report to appropriate authority	% of cases TEC submitted report directly to the approving authority.
19.	TER approval compliance	% of cases contract award decision made within timeline by contract approving authority.
20.	Additional review of TER	% of cases TER reviewed by person / committee other than the contract approving authority.
21.	Tender processing lead time	Average number of days between tender opening and Notification of Award (NOA).
22.	Publication of award information	% of contract awards published in CPTU's website.
23.	Efficiency in contract award	% of contracts awarded within initial tender validity period
24.	Opening of L/C	Average number of days taken between signing of contract and issue of L/C
25.	Delivery time	% of contracts completed within original deadline.
26.	Liquidated damage	% of cases liquidated damaged imposed for delayed delivery / completion.
27.	Completion rate	% of contracts fully completed and accepted
28.	Late Payment	% of contracts where payment made late.
29.	Complaints	% of tender procedures with complaints
30.	Resolution of Complaints	% cases complaints have been resolved
31.	Independent Review Panel	% cases review panel's decision was upheld
32.	Fraud & Corruption (F&C)	% of cases identified with F&C
33.	Trained procurement staff	% of procuring entities with trained procurement staff.
34.	Procurement post review	% of procuring entities conducted annual procurement post review.
35.	Sub-delegation	% contract approved as per rule

Central Procurement Technical Unit (CPTU), Govt. of Bangladesh maintains an online Procurement Management Information System (PROMIS) to measure the procurement performance of key government organizations. PROMIS measures procurement performance using 45 indicators (SRGB, 2012).

Table 3.2: Procurement Performance Indicators by CPTU

SN.	Indicator Category	Process	Performance Indicator
1	Invitation for Tender	Advertisement of tender opportunities in newspaper	Percentage of Invitation for Tender (IFT) published in newspaper
		Advertisement of tender opportunities in CPTU's website	Percentage of Invitation for Tender (above threshold) advertised in CPTU's website
		Tenders following GoB procurement Rules	Percentage of Tenders following GoB procurement Rules
		Tender following Development Partner Rules	Percentage of Tenders following Development Partner Rules
2	Tender Submission	Multiple locations submission tenders	Percentage of tenders allowed to submit in multiple locations
		Tender preparation time in open tendering method	Average number of days between publishing of advertisement and tender submission deadline
		Tender time compliance	Percentage of tenders having sufficient tender submission time
		Sale of tender documents	Average number of tenderers purchased tender documents
		Tenderer Participation	Average number of Tenderers submitted tenders
		Tenderer Participation Index	Ratio of number of tender submission and number of tender document sold
3	Tender Opening Committee (TOC) and Tender Evaluation Committee (TEC)	Tender Opening Committee formation	Percentage of cases TOC included at least ONE member from TEC
		Tender Evaluation Committee formation	Percentage of cases TEC formed by Contract Approving Authority
		External member in TEC	Percentage of cases TEC included two external members outside the procuring entity
4	Tender Evaluation	Tender evaluation time	Average number of days between tender opening and completion of evaluation
		Compliance of tender evaluation time	Percent of cases tender evaluation has been completed within timeline
		Tender Acceptance	Average number of responsive tenders
		Re-tendering	Percentage of cases TEC recommended re-tendering
		Tender Cancellation	Percentage of cases where tender process cancelled

SN.	Indicator Category	Process	Performance Indicator
5	Tender Evaluation Report (TER) approval	Tender Evaluation Approval time	Average number of days taken between submission of Tender Evaluation and approval of contract
		Compliance of financial delegation	Average number of tenders approved by the proper financial delegated authority
		Submission of evaluation report to appropriate authority	Percentage of cases TEC submitted report directly to the contract approving authority
		TER approval compliance	Percentage of cases contract award decision made within timeline by Contract Approving Authority
		Additional review of TER	Percentage of cases TER reviewed by person/committee other than the Contract Approving Authority
		Higher tier approval	Percentage of tenders approved by higher tier than the Contract Approving Authority
6	Contract Award	Time for issuance of NOA to Tenderer	Average number of days between final approval and Notification of Award (NOA)
		Tender processing lead time	Average number of days between tender opening and Notification of award (NOA)
		Total tender processing time	Average number of days between Invitation for Tender (IFT) and Notification of Award
		Publication of award information	Percentage of Contract awards published in CPTU's website
		Efficiency in Contract Award	Percentage of contracts awarded within initial tender validity period
7	Delivery/Completion	Delivery time	Percentage of Contracts completed/ delivered within the original schedule as mentioned in Contract
		Liquidated damage	Percentage of Contracts having liquidated damage imposed for delayed delivery/completion
		Completion rate	Percentage of Contracts fully completed and accepted
8	Payment	Payment release compliance	Average number of days taken to release payment
		Late payment	Percentage of cases (considering each installment as a case) with delayed payment
		Interest paid for delayed payment	Percentage of Contracts where interest for delayed payments was made

SN.	Indicator Category	Process	Performance Indicator
9	Complaints	Tender procedure complaints	Percentage of tender procedures with complaints
		Resolution of complaints with award modification	Percentage of complaints resulting in modification of award
		Resolution of complaints	Percentage of cases complaints have been resolved
		Independent Review Panel	Percentage of cases review panel's decision upheld
10	Contract amendments	Contract Amendment/variation	Percentage of contract amendments/variatio
11	Contract dispute resolution	Unresolved Disputes	Percentage of Contracts with unresolved disputes
12	Fraud and Corruption (F & C)	Fraud and Corruption	Percentage of cases F & C Detected
13	Procurement Management Capacity	Procurement training	Average number of trained procurement staff in each procuring entity
			Percentage of procuring entity which has at least one trained/certified procurement staff
			Total number of procurement persons in the organization with procurement training.

3.3 Open Tendering Method (OTM)

This study intended to measure and compare procurement performance concentrating on the procurement conducted using Open Tendering Method only as OTM is the primary and preferred method of procurement in both REB and DESCO. Under this method, procurement invitation is published publicly through widely circulated national dailies and websites. Any eligible firm may participate in the tendering process (PPR, 2008). Though these two organizations use separate procurement guidelines (PPR-2008 and DESCO Procurement Guidelines), but in both cases steps involved in OTM are same. Usually Open Tendering Method can be applied through two procedures: Single Stage Single Envelope and Single Stage Two Envelopes.

3.3.1 Single Stage Single Envelope Procedure

Single stage single envelope procedure is the most common tendering procedure. This procedure of open tender is followed by REB in all the instances; while DESCO used this procedure for all procurement up to BDT 10 million of estimated cost (*DESCO, 2007*). In this process tenderer submits technical proposal and financial proposal within the same envelope/document (*PPR, 2008*). Typical steps involved in this process are listed below:

- Preparation of specification of items to be procured.
- Preparation of detail estimated cost.
- Preparation of tender document and Invitation for Tender (IFT).
- Approval of estimated cost, tender document and IFT by Approving Authority (AA) as per the organization's delegation of financial power.
- Publish IFT in one Bangla and one English widely circulated national daily newspapers and website(s).
- Selling of tender document.
- Receiving of tenders (within the tender closing deadline).
- Closing the tender at the time and date mentioned in the tender document.
- Public opening of tenders by Tender Opening Committee (TOC) immediately after deadline of submission.
- Evaluation of tender(s) by Tender Evaluation Committee (TEC).
- Submission of Tender Evaluation Report (TER) by the TEC directly to the Approving Authority (AA).
- Awarding tender to the lowest evaluated responsive tenderer.
- Issuance of Notification of Award (NOA) to the winning tenderer within tender validity period.
- Receiving acceptance of the NOA from the awarded tenderer (within 7 days from issuance of NOA)
- Receiving performance guarantee from the awarded tenderer (within 14 days from receiving of acceptance from the awarded tenderer)
- Signing of contract within 28 days from issuance of NOA
- Contract management. Receiving goods and related services as per the contract.
- Paying the supplier.

3.3.2 Single Stage Two Envelope Procedure

DESCO used this procedure for all procurement above BDT 10 million of estimated cost (*DESCO, 2007*) while REB rarely used this procedure. In this process tenderer submits technical proposal and financial proposal in separate envelopes. The technical proposal is publicly opened and the sealed financial proposal is kept in safe custody. The entire procedure is same like the earlier one except that the TEC shall submit Technical Evaluation Report to the Approving Authority for approval and later on after getting the approval, the financial proposal(s) of the technically responsive tenderers only are opened in public. TEC thus evaluate the financial proposals and recommend to award the contract to the lowest evaluated responsive tenderer. Subsequently approving authority accepts the financial evaluation report and provides the award decision (*PPR, 2008*).

CHAPTER 4

RESEARCH METHODOLOGY

4.1 Key Performance Indicators

The main objective of the study was to evaluate, compare and contrast the procurement performance of REB with DESCO in terms of transparency, efficiency and competitiveness. The evaluation was conducted on the basis of a set of Key Performance Indicators (KPI) covering all three study areas, i.e. transparency, efficiency and competitiveness. These KPIs were captured from the 35 procurement performance indicators (*Table 3.1*) used by the World Bank for assessing the implementation of Public Procurement Regulations in Bangladesh (*The World Bank*¹⁴, 2009) and 45 procurement performance indicators (*Table 3.2*) used in the Procurement Management Information System (PROMIS) of Central Procurement Technical Unit (CPTU), Govt. of Bangladesh (*SRGB, 2012*). It is to be noted, all these indicators were developed following the OECD-DAC country procurement performance indicators (*OECD*¹⁵, 2006). The 23 Key Performance Indicators used in this study are categorically listed below:

Table 4.1: Key Performance Indicators

Area of Evaluation	KPI No.	Key Performance Indicator (KPI)
Transparency	1	% of Invitation for Tender (IFT) published in newspaper
	2	% of IFT above threshold (BDT10m) advertised in CPTU's website
	3	% of cases TEC included two external members (outside the organization)
	4	% of contracts valued BDT10 m and above published in CPTU website
	5	% of cases TEC submitted report directly to the contract Approving Authority (AA)

¹⁴The World Bank, Assessment of Implementation of Public Procurement Regulations, 2009

¹⁵Organization for Economic Co-operation and Development, Methodology for assessment of national procurement systems, 2006

Area of Evaluation	KPI No.	Key Performance Indicator (KPI)
Efficiency	6	Avg. no. of days between IFT & tender submission deadline
	7	Avg. no. of days between tender opening & completion of evaluation
	8	Avg. no. of days between submission of Tender Evaluation Report (TER) & approval
	9	Avg. no. of days between final Approval and Notification of Award (NOA)
	10	Avg. no. of days between NOA and contract signing
	11	Avg. no. of days between tender opening and NOA
	12	Avg. no. of days between IFT and NOA
	13	Avg. no. of days between IFT and contract signing
	14	% of cases tender evaluation completed within timeline
	15	% of contract award decision made within time limit by contract Approving Authority (AA)
	16	% of contracts awarded within initial tender validity period
Competitiveness	17	% of contracts completed within original deadline
	18	Avg. no. of tenderers purchased tender documents
	19	Avg. No. of tenderers submitted tenders
	20	Avg. No. of responsive tenders
	21	Ratio of tender submitted to tender sold
	22	Ratio of responsive tenders to tender submitted
	23	% of tenders having sufficient tender submission time.

4.2 Research Scope

Both REB and DESCO procure goods, plants, works and all kind of services. As goods procurement has the largest share in the overall portfolio, this study concentrated on the goods procurement only. This research is limited to procurement conducted through the Open Tendering Method (OTM) as it is the preferred method of procurement in both the organizations. All the procurement contracts studied under this research were conducted following National Competitive Tendering Procedure of OTM.

4.3 Data Collection

Both primary and secondary data sources have been used in this research.

4.3.1 Sampling

Eighty procurement contracts for two financial years (FY2012-11 and FY 2011-10) were selected to gather data that eventually translated into key performance Indicators (KPI). All these contracts were executed from the Procurement Directorate of REB Headquarter and Procurement Division of DESCO Headquarter. The composition of eighty sampled contracts taken as sample is shown in the following table:

Table 4.2: Data Sampling

Organization	Financial Year	Number of Contracts		
		Contract value <=BDT 10m	Contract value >BDT10m	Total
REB	FY12	10	10	20
	FY11	10	10	20
DESCO	FY12	10	10	20
	FY11	10	10	20
Total		40	40	80

Stratified and simple random sampling techniques were followed. Forty contracts above BDT 10 million and 40 contracts up to BDT 10 million were selected randomly. The reasons behind choosing the threshold BDT 10 million was that:

- (i) DESCO follows two different procedures of OTM (Single Stage Single Envelope up to BDT 10 million and Single Stage Two Envelopes above BDT 10 million).
- (ii) According to PPR-2008 all invitation for tenders and contracts above BDT 10 million need to be published in the Central Procurement Technical Unit's web portal.

The value of the contracts ranged from BDT 5 million to BDT 120 million and therefore the highest approving authority of some of the contracts were the Boards. In case of DESCO the Board is the highest authority to approve procurement of any value where as in case of REB, the board approval power is maximum BDT 120 million. Therefore to compare the contracts approved in a similar platform the maximum contract size for sampling purpose was considered as BDT 120 million.

4.3.2 Secondary Data

Procurement related documents for these eighty contracts were thoroughly studied. A set of data collection formats were used to capture the basic data that subsequently translated into the KPIs. The data collections formats were prepared as per formats used in the CPTU's, Annual Procurement M & E Report (*SRGB, 2012*).

Data were also collected from Procurement Management Information System (PROMIS) of the Central Procurement Technical Unit (CPTU), Govt. of Bangladesh and procurement activities tracking system of DESCO.

4.3.3 Primary Data

Some primary data were also collected through key informant interviews. A questionnaire was developed to capture the key data regarding measurement of procurement performance using the chosen KPIs (questionnaire enclosed as **Appendix-III**). While most of the answers of the questions were found by scrutinizing the concerned procurement files some missing information and supplementary information were gathered through interviewing the concerned officials of the procuring entities and other stakeholders. This also provided a scope of data triangulation. The list of the persons interviewed is given in **Appendix-IV**.

4.4 Data Analysis and Reporting

Analysis was made by studying the primary and secondary data thoroughly and testing the consistency, omitting the redundancy and emphasizing the ultimate goal of this study. Aspects that were looked into were the time taken for carrying out each step of procurement – from initiation of draft tendering documents to signing of contracts with successful tenderers; issues encountered at each step; how those issues are addressed; the quality of interaction with tenderers and approving authorities; and how effectively the progress of procurement is monitored against plans. Information extracted from documents were later supplemented by interviews with concerned officials where clarifications, additional details, and background information were needed. The collected information was tabulated for further analysis using the tables provided in the **Appendix-1**. Different charts were used to analyze and present the results.

CHAPTER 5

ANALYSIS OF THE RESULTS

5.1 Findings against Transparency Indicators

Summary of the findings against five Transparency measuring KPIs are presented in the Table 5.1. Detailed calculations on getting these results are shown in the **Appendix-1: Tables on Key Performance Indicators**.

Table 5.1: Summary of the findings against Transparency Indicators

Key Performance Indicators		REB		DESCO	
		FY12	FY11	FY12	FY11
KPI-1	% of Invitation for Tender (IFT) published in newspapers	100%	100%	100%	100%
KPI-2	% of IFT above threshold (BDT10m) advertised in CPTU's website	100%	100%	0%	0%
KPI-3	% of cases TEC included two external members (outside the organization)	100%	100%	100%	100%
KPI-4	% of contracts valued BDT 10 m and above published in CPTU website	90%	70%	0%	0%
KPI-5	% of cases TEC submitted report directly to the contract Approving Authority (AA)	40%	75%	100%	100%

5.1.1 Percentage of Invitation for Tender published in newspapers

Several activities are involved in the process of invitation for tender (IFT). PPR-2008 has imposed few preconditions in performing activities related to the Invitation for Tenders. i.e.

- (i) Publishing IFT in a Bangla and English widely circulated national daily newspapers,
- (ii) Publishing IFT for estimated value BDT10 million and above in CPTU website

Performance of REB and DESCO against % of IFT published in the newspapers indicator is shown in the following chart.

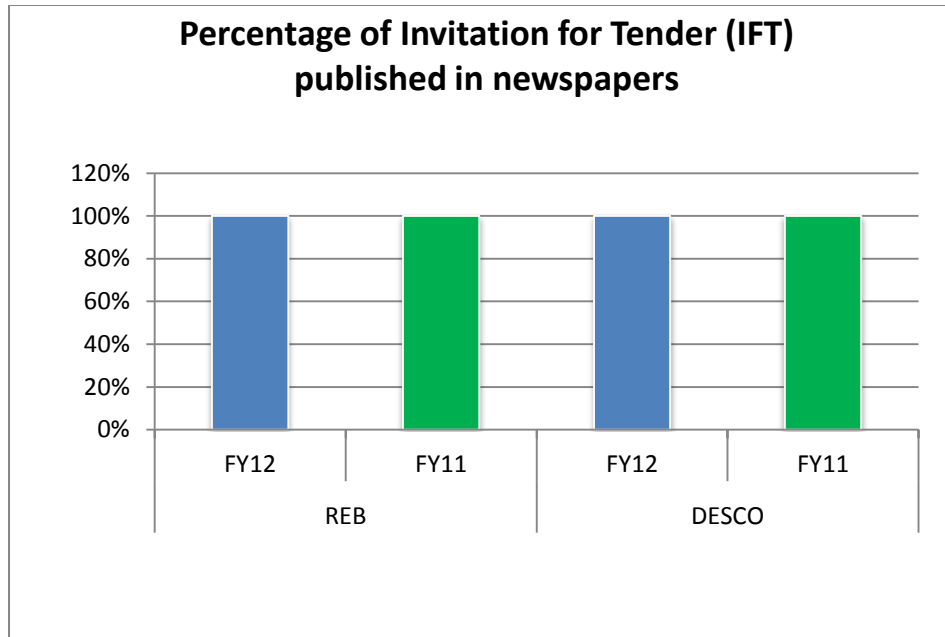


Figure 5.1: Findings against % of Invitation for Tender published in newspapers

The information collected from the entities demonstrated that 100% of the Invitations for Tenders (IFTs) were published in the national dailies. However, it was also revealed from the stakeholders' interviews that a number of IFTs were published in dailies with very limited circulation only.

5.1.2 Percentage of IFT above threshold advertised in CPTU's website

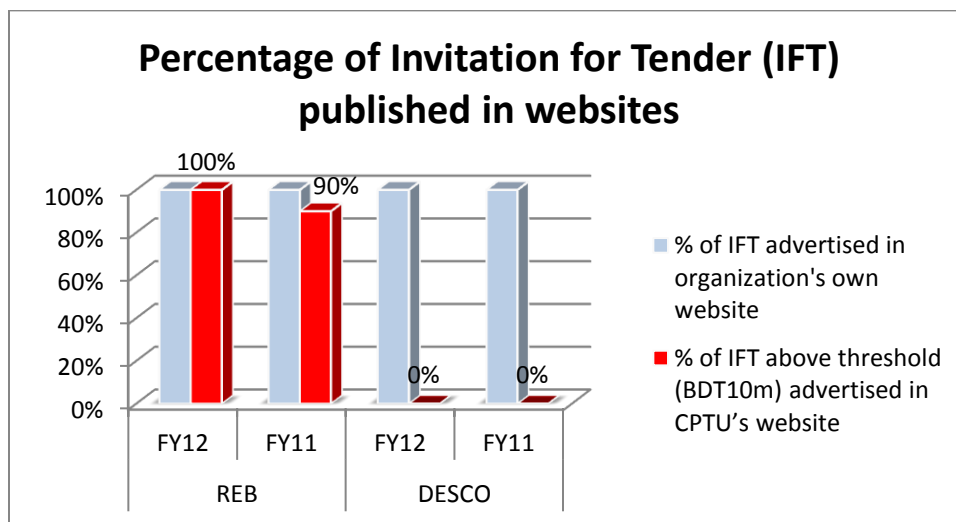


Figure 5.2: Findings against % of Invitation for Tender (IFT) published in websites

From FY11 to FY12, REB’s performance in terms of publishing IFTs with estimated cost above the threshold of BDT 10 million in the CPTU’s web portal enhanced from 90% to 100%. Whereas, DESCO did not publish any IFT in the CPTU’s web portal. Instead 100% IFTs were published in DESCO’s own website. Enquiring the matter it was found that PPR-2008 is not mandatory for DESCO while procuring under its own financing and hence the IFTs were not published in CPTU’s web portal.

5.1.3 Percentage of cases TEC included two external members

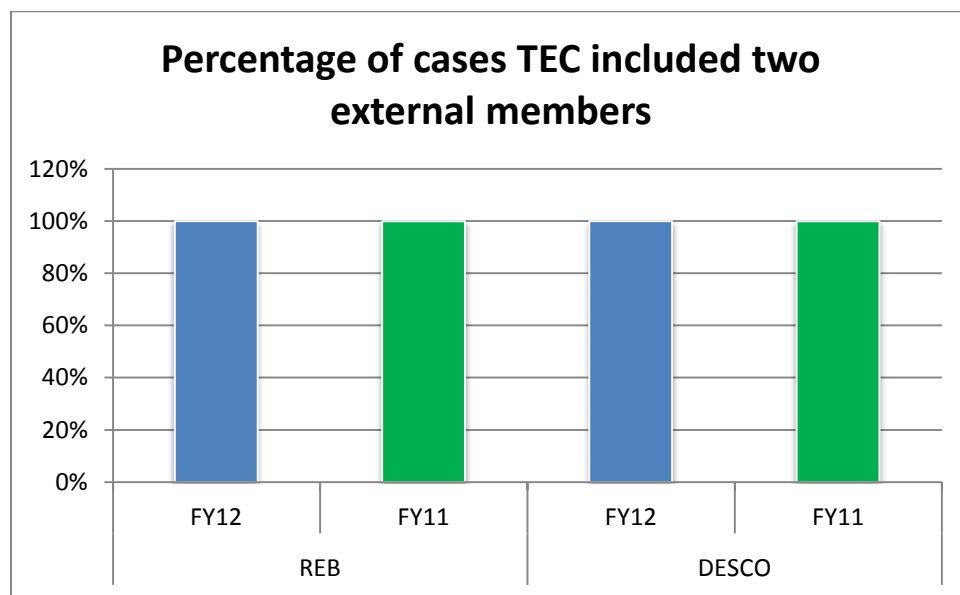


Figure 5.3: Findings against % of cases TEC included two external members

In all the tenders the evaluation committees used to evaluate 80 sample contracts with two external members from outside the organizations (organizations outside ministry of power, energy and mineral resources) that enhanced the transparency of the evaluation process.

5.1.4 Percentage of contracts valued BDT 10 m and above published in CPTU website

To ensure adequate transparency in public procurement process Public Procurement Rules 2008 categorically specifies that entities must ensure that all the Contract Award Decisions of BDT 10 million and above are invariably published in CPTU website.

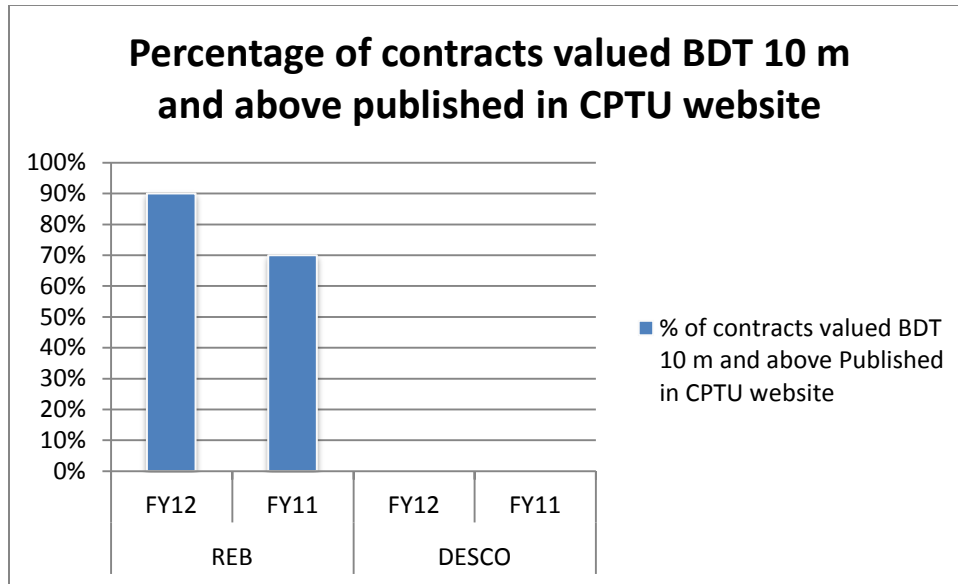


Figure 5.4: Findings against % of contracts published in CPTU website

Data collected on publication of contract awards from REB revealed that overall, 90% of the contract awards were published in CPTU website in FY12 that was much higher than the percentage (70%) in FY11. DESCO did not publish any of its awarded contracts in CPTU and also its own websites.

5.1.5 Percentage of cases TEC submitted report directly to the Approving Authority

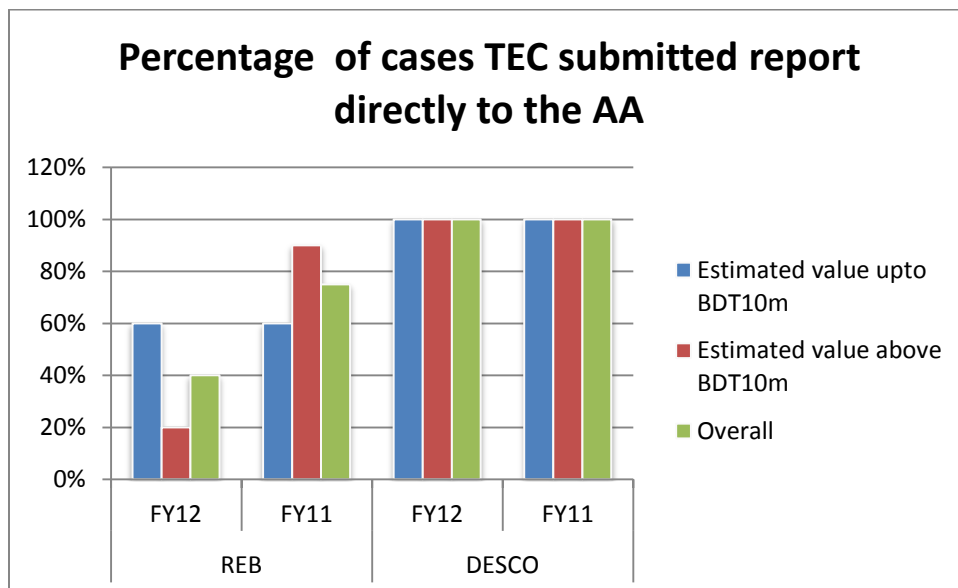


Figure 5.5: Findings against % of cases TEC submitted report directly to the AA

DESCO's performance against this indicator is much better than REB. REB's overall performance against this criterion decreased over the years. Contracts having value above BDT 10 million contributed this decline.

5.2 Findings against Efficiency Indicators

Summary of the findings against twelve Efficiency measuring KPIs are presented in the Table 5.2. Detailed calculations on getting these results are shown in the **Appendix-1: Tables on Key Performance Indicators**.

Table 5.2: Summary of the findings against Efficiency Indicators

Key Performance Indicators		REB		DESCO	
		FY12	FY11	FY12	FY11
KPI-6	Avg. no. of days between IFT & tender submission deadline	37	26	29.5	29.25
KPI-7	Avg. no. of days between tender opening & completion of evaluation	29.00	73.50	31.50	34.50
KPI-8	Avg. no. of days between submission of Tender Evaluation Report (TER) & approval	21.50	24.20	9.50	8.00
KPI-9	Avg. no. of days between final Approval and Notification of Award (NOA)	8.70	9.50	2.00	2.45
KPI-10	Avg. no. of days between NOA and contract signing	19.50	21.00	13.50	16.00
KPI-11	Avg. no. of days between tender opening and NOA	59.00	107.50	43.00	44.75
KPI-12	Avg. no. of days between IFT and NOA	96.00	133.50	72.50	74.00
KPI-13	Avg. no. of days between IFT and contract signing	115.50	154.50	86.00	90.00
KPI-14	% of cases tender evaluation completed within timeline	25%	10%	70%	65%
KPI-15	% of contract award decision made by contract Approving Authority (AA) within time limit	5%	5%	70%	75%
KPI-16	% of contracts awarded within initial tender validity period	75%	50%	100%	95%
KPI-17	% of contracts completed within original deadline	35%	85%	100%	95%

5.2.1 Avg. no. of days between IFT & tender submission deadline

Allowing sufficient time between invitation and submission plays very significant roles in getting good quality proposals from the competent tenderers, as adequate time is required for proper submission of tender documents. Adequate time gap also contributes towards better participation by the tenderers. On the other hand providing too much tender preparation time indicates inefficiency of the procuring entities in managing procurement process (usually resulting from issuance of addenda and/or corrigenda of tender documents or notices).

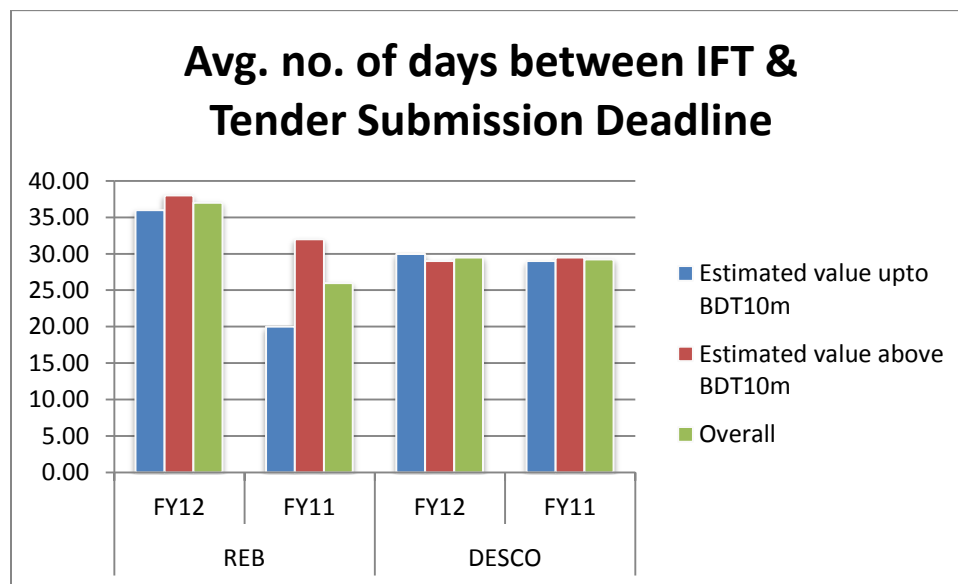


Figure 5.6: Findings against Avg. no. of days between IFT & Tender Submission Deadline

Analyzing the data captured from REB and DESCO it was found that, both the organizations provided adequate time period for tender preparation which complies with the standard timing mentioned in the PPR-2008.

5.2.2 Avg. no. of days between tender opening & completion of evaluation

REB reduced its average tender evaluation time significantly from FY11 to FY12. DESCO also is consistently doing well against this indicator. Average time taken by DESCO in case of tenders having estimated value more than BDT 10 million was higher than REB, which is due to the reason that DESCO used single stage two envelopes procedure under which technical evaluation and financial evaluation are conducted separately and two separate reports are produced. It is to

be noted that in case of DESCO the technical evaluation time and financial evaluation time were added to get the total evaluation time.

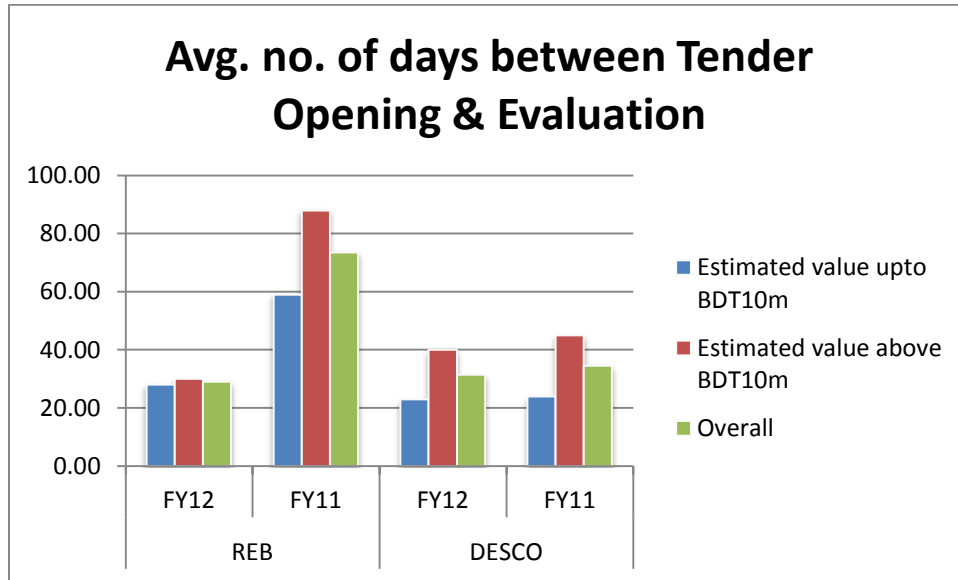


Figure 5.7: Findings against Avg. no. of days between Tender Opening & Evaluation

5.2.3 Avg. no. of days between submission of Evaluation Report & approval

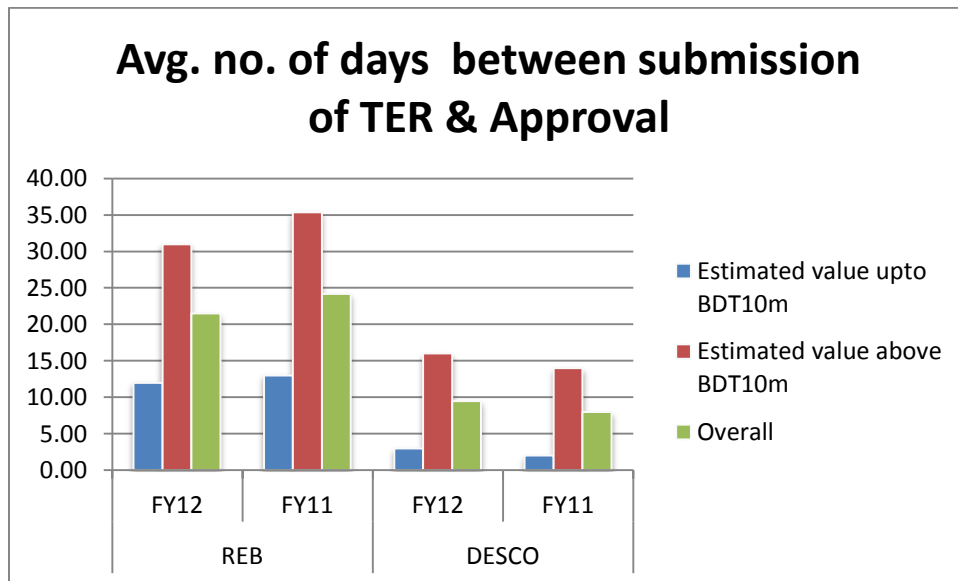


Figure 5.8: Findings against Avg. no. of days between submission of TER & Approval

From the chart it is very clear that DESCO took much lower time than REB in approving the tender evaluation reports even though DESCO took separate approvals for technical evaluation

report and financial evaluation report in case of tenders above the value of BDT 10 million. These two timing were added to produce the chart in same footing. In both the organizations, the higher the procurement size the higher approval time is required.

5.2.4 Avg. no. of days between final approval and Notification of Award

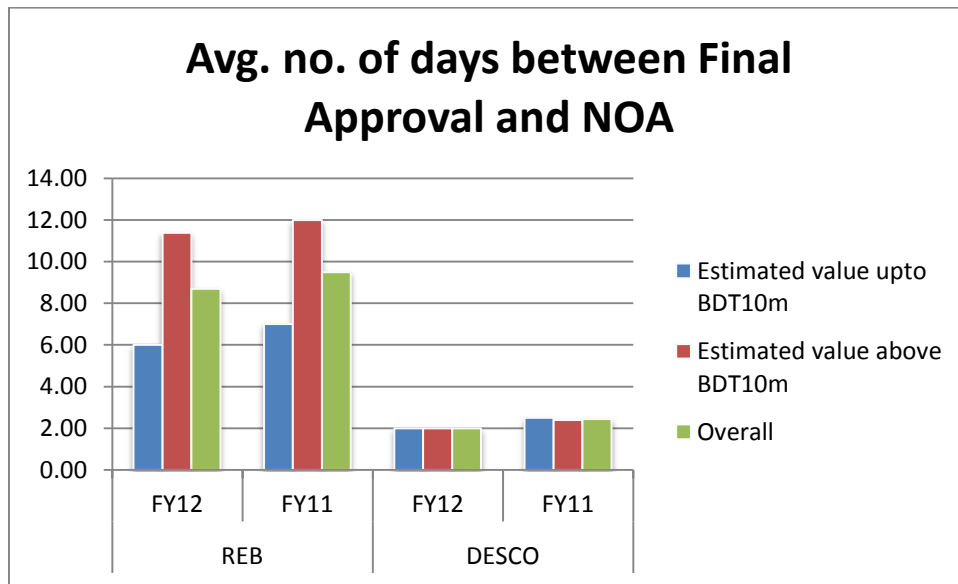


Figure 5.9: Findings against Avg. no. of days between final approval and NOA

Against this criterion DOSCO did consistently better than REB. This is an area where REB may concentrate to reduce procurement delay or lead time.

5.2.5 Avg. no. of days between NOA and contract signing

According to PPR-2008, contracts need to sign with the awarded tenderer within 28 days from issuance of Notification of Award. Both organizations did well against this criterion. Key stakeholders' interviews revealed that DESCO proactively reduced this timing with consultation with the tenderers.

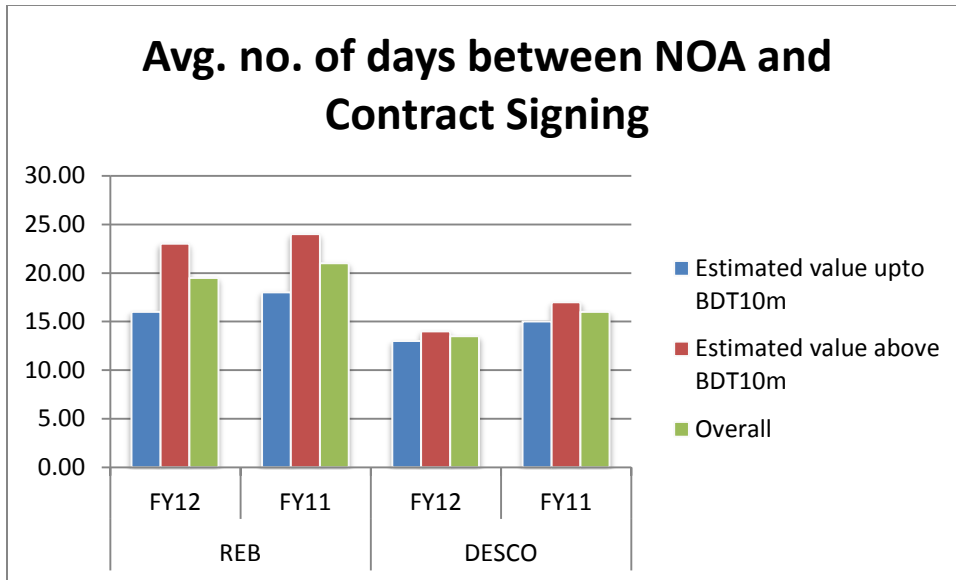


Figure 5.10: Findings against Avg. no. of days between NOA and Contract Signing

5.2.6 Avg. no. of days between tender opening and NOA

This indicator shows actual tender processing time. Chart shows DESCO's performance was consistent over the years while REB improved its performance significantly from FY11 to FY12. The higher the value of contract the higher time is required to process the tender.

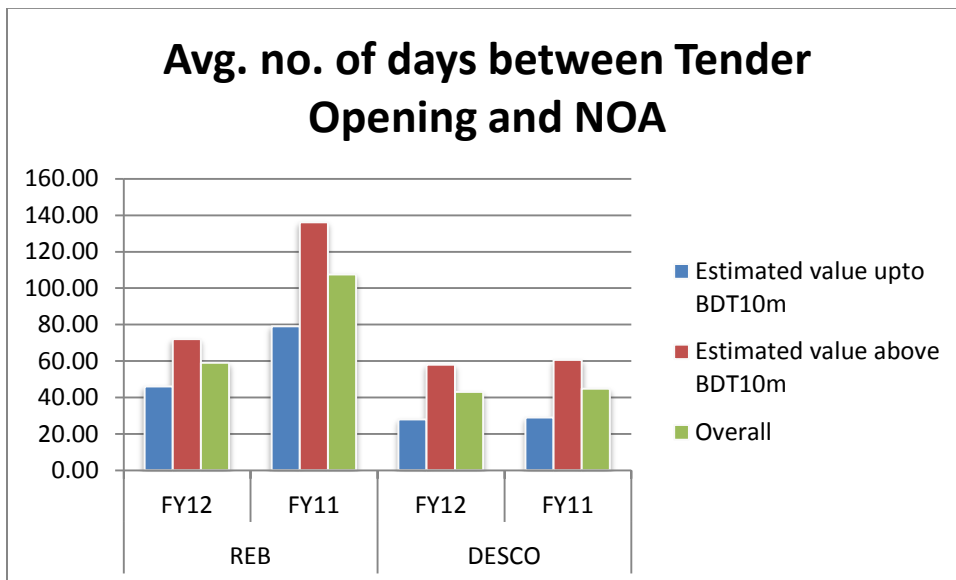


Figure 5.11: Findings against Avg. no. of days between Tender Opening and NOA

5.2.7 Avg. no. of days between IFT and NOA

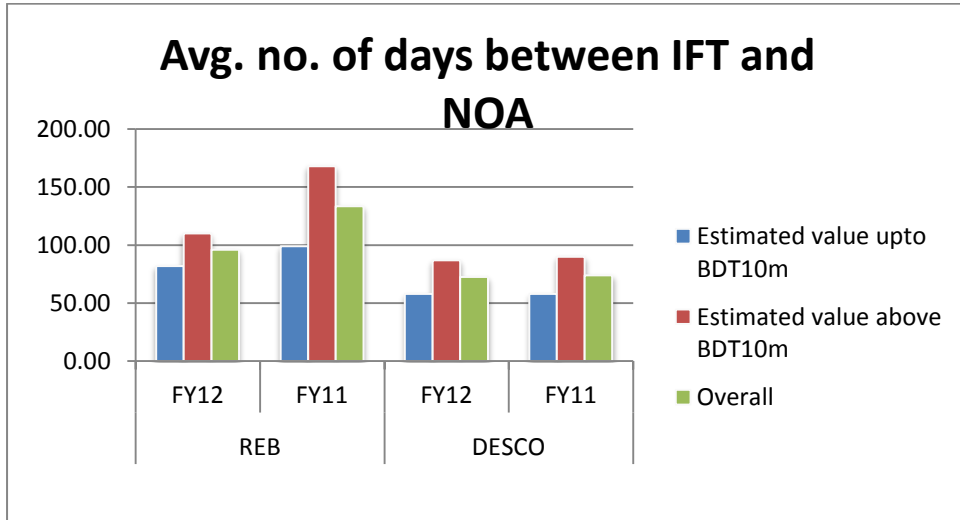


Figure 5.12: Findings against Avg. no. of days between IFT and NOA

Chart shows DESCO’s performance was consistent over the years while REB improved its performance significantly from FY11 to FY12. REB in FY11 and FY12 on an average issued notification of award within 133 days and 96 days respectively from issuance of IFT. While DESCO took only 74 and 72 days respectively even after using single stage two envelopes procedure.

5.2.8 Avg. no. of days between IFT and contract signing

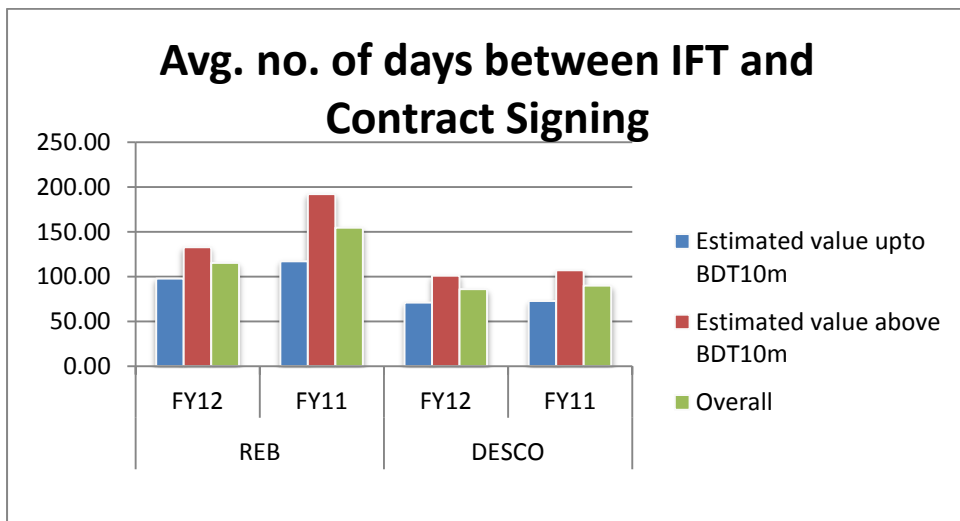


Figure 5.13: Findings against Avg. no. of days between IFT and Contract Signing

This chart demonstrates total procurement time. Chart shows DESCO’s performance was consistent over the years while REB improved its performance significantly for higher value contracts from FY11 to FY12. REB in FY11 and FY12 on an average signed contract within 154 days and 115 days respectively from issuance of IFT. While DESCO took only 90 and 86 days respectively even after using single stage two envelopes procedure.

5.2.9 Percentage of cases tender evaluation completed within timeline

The performances of the Tender Evaluation Committee in completing tender evaluation have been assessed based on timeline as specified in PPR-2008. There is a possibility of existence of a technical subcommittee in the evaluation process with very high value tender.

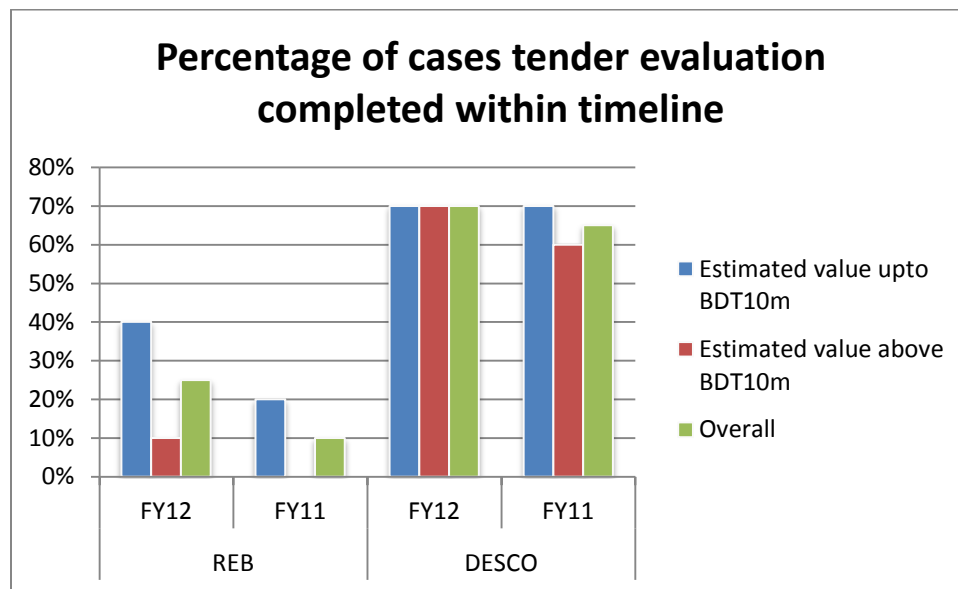


Figure 5.14: Findings against % of cases tender evaluation completed within timeline

The skyscrapers of DESCO clearly show the difference of performance between the organizations against this criterion. This is a major bottleneck for REB. Stakeholders’ interviews revealed that the main reason of delay is unavailability of dedicated officials for tender evaluation. All the TEC members evaluated tenders in addition to their day to day job and hence took higher time. This is a potential area for DESCO to improve its performance further.

5.2.10 Percentage of contract award decision made by AA within time limit

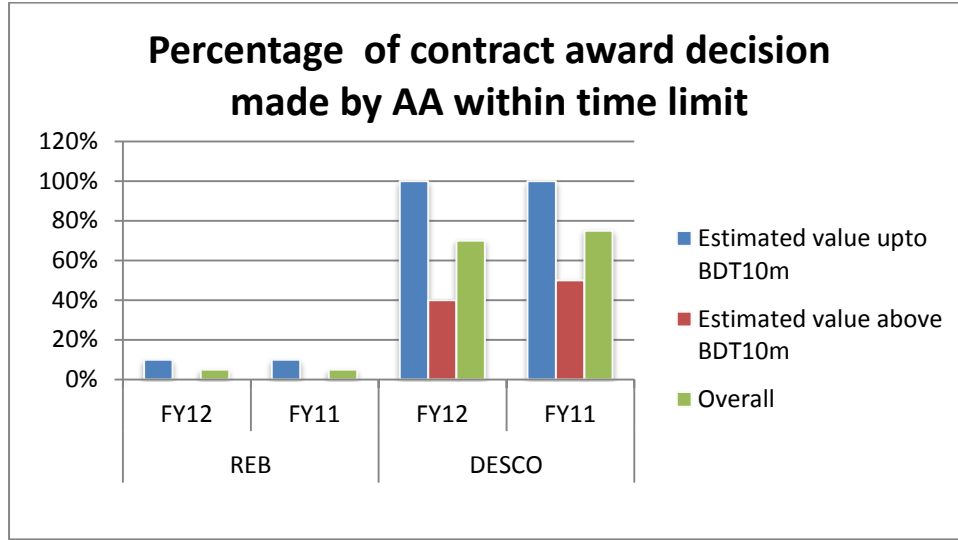


Figure 5.15: Findings against % of contract award decision made by AA within time limit

This is another major bottleneck for REB. Stakeholders’ interviews revealed that the main reason of delay is the bureaucratic culture of the organization. In case of DESCO higher value contracts went to board for approval, and as board sat for meeting once or twice a month, waiting time was significant in some cases.

5.2.11 Percentage of contracts awarded within initial tender validity period

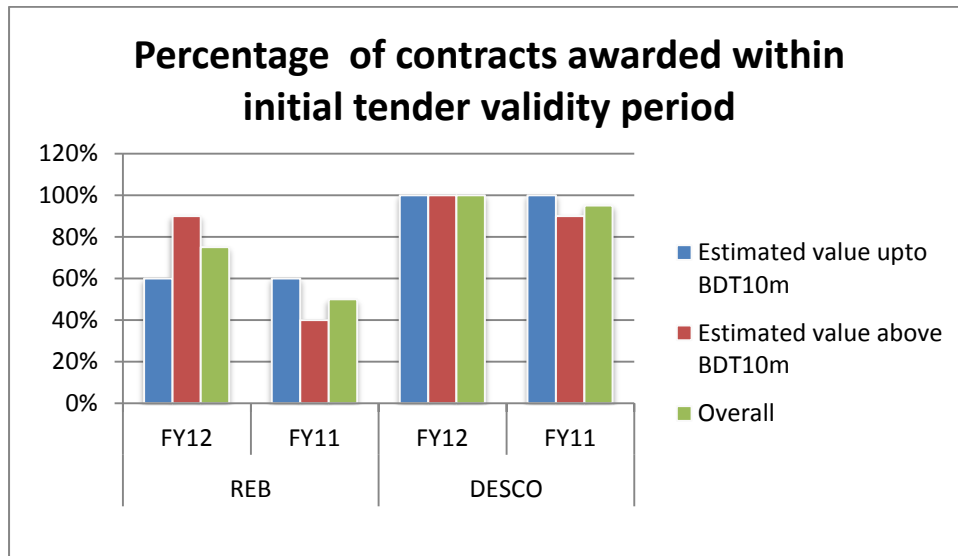


Figure 5.16: Findings against % of contracts awarded within initial tender validity period

This chart shows efficiency of the organizations in completing procurement process within the initial tender validity period. DECO was capable to maintain its higher performance while REB improved its performance from FY11 to FY12.

5.2.12 Percentage of contracts completed within original deadline

This indicator reflects the efficiency of the organizations in the area of contract management. While DESCO demonstrated better performance over the years, REB showed decreasing performance in managing contracts.

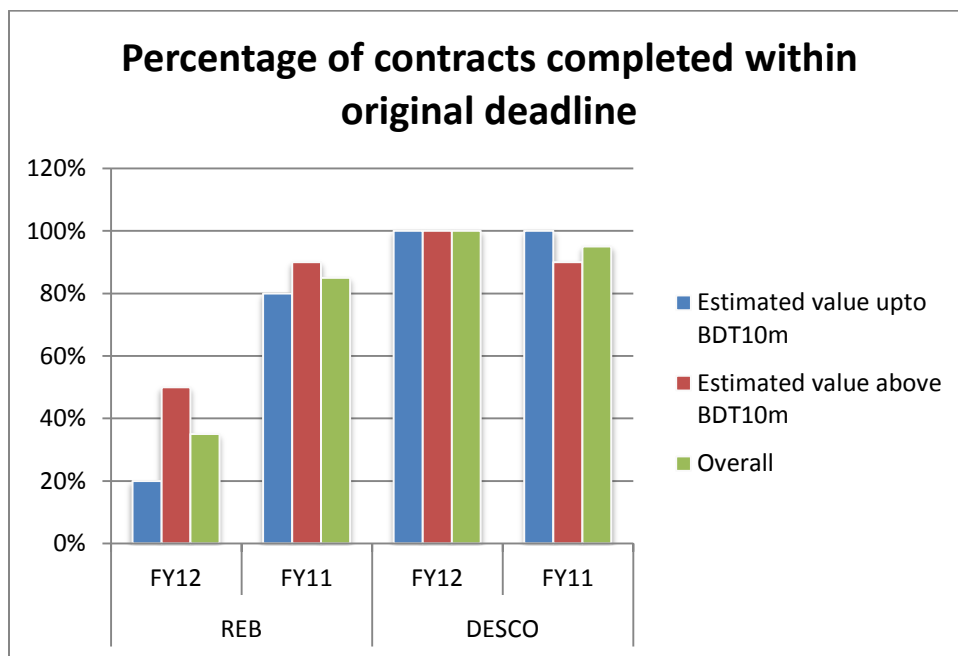


Figure 5.17: Findings against % of contracts completed within original deadline

5.3 Findings against Competitiveness Indicators

Summary of the findings against six competitiveness measuring KPIs are presented in the following Table 5.3. Detailed calculations on getting these results are shown in the **Appendix-1: Tables on Key Performance Indicators**.

Table 5.3: Summary of the findings against Competitiveness Indicators

Key Performance Indicators		REB		DESCO	
		FY12	FY11	FY12	FY11
KPI-18	Avg. no. of tenderers purchased tender documents	6	14	10.4	9.8
KPI-19	Avg. no. of tenderers submitted tenders	4.5	8	5	4.2
KPI-20	Avg. no. of responsive tenders	3.6	4.5	2.3	1.9
KPI-21	Ratio of tender submitted to tender sold	75%	57%	48%	43%
KPI-22	Ratio of responsive tenders to tender submitted	80%	56%	46%	45%
KPI-23	% of tenders having sufficient tender submission time.	100%	95%	100%	100%

5.3.1 Avg. no. of tenderers purchased tender documents

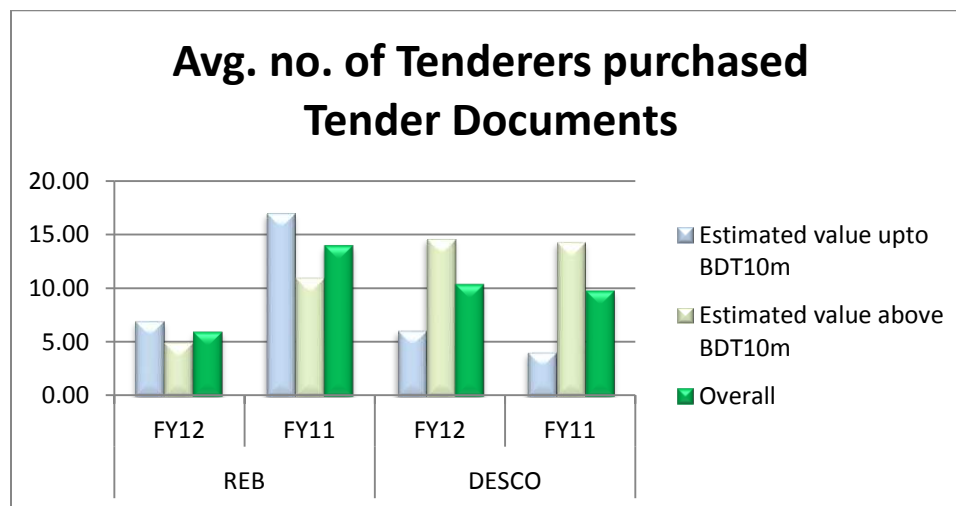


Figure 5.18: Findings against Avg. no. of tenderers purchased tender documents

On average 10 potential tenderers purchased tender documents over two years in case of DESCO which demonstrates wider competition among the tenderers. Average number of potential tenderers dropped from 14 to 6 in case of REB. Stakeholders' interviews revealed that it could possibly be due to formation of cartel in the bidding communities.

5.3.2 Avg. no. of tenderers submitted tenders

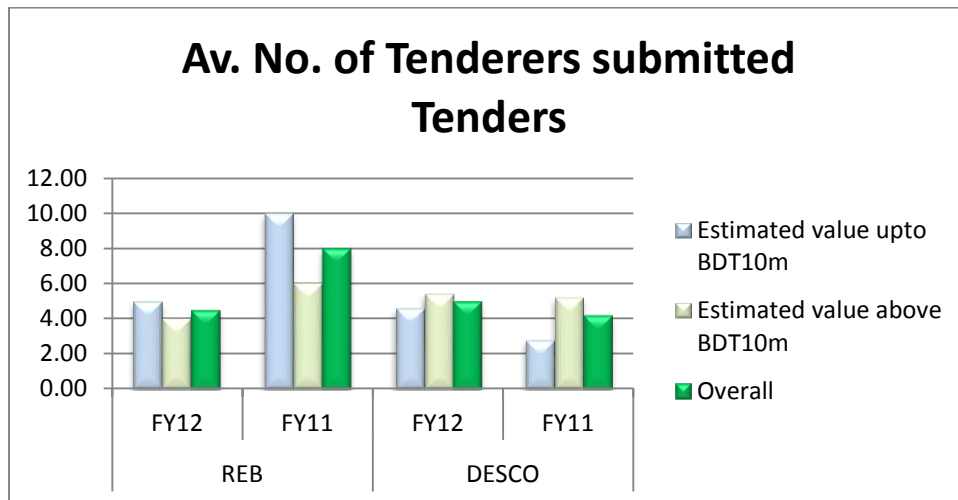


Figure 5.19: Findings against Av. No. of Tenderers submitted Tenders

DESCO's performance in attracting higher number of tenderers had slightly enhanced from FY11 to FY12. While REB's performance decreased over the years. Though, at the end of FY12 both organizations were at the same level against this indicator.

5.3.3 Avg. no. of responsive tenders

Against this criteria REB fully outcompeted DESCO. Where REB was able to get on an average 4 responsive tenders against each procurement contract, DESCO got only 2. Under the area of competitiveness REB is doing much better than DESCO against this criterion.

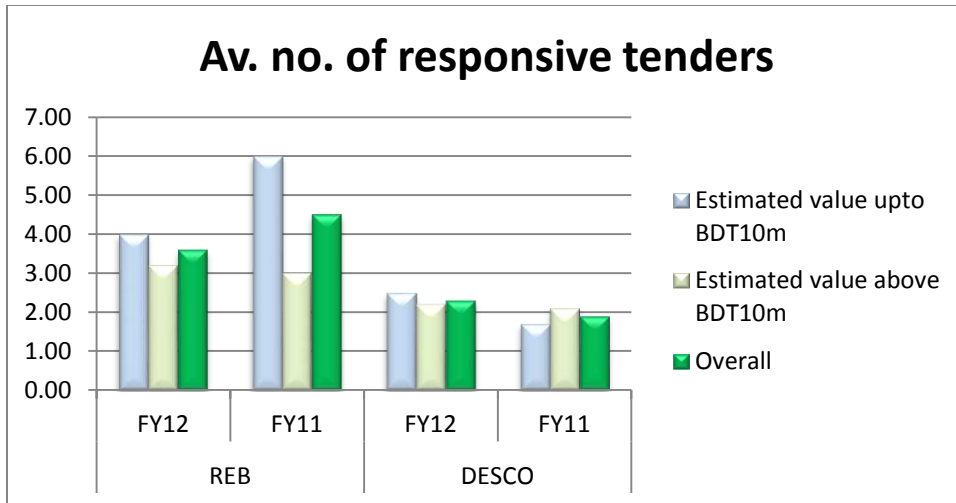


Figure 5.20: Findings against Av. No. of responsive Tenders

5.3.4 Ratio of tender submitted to tender sold

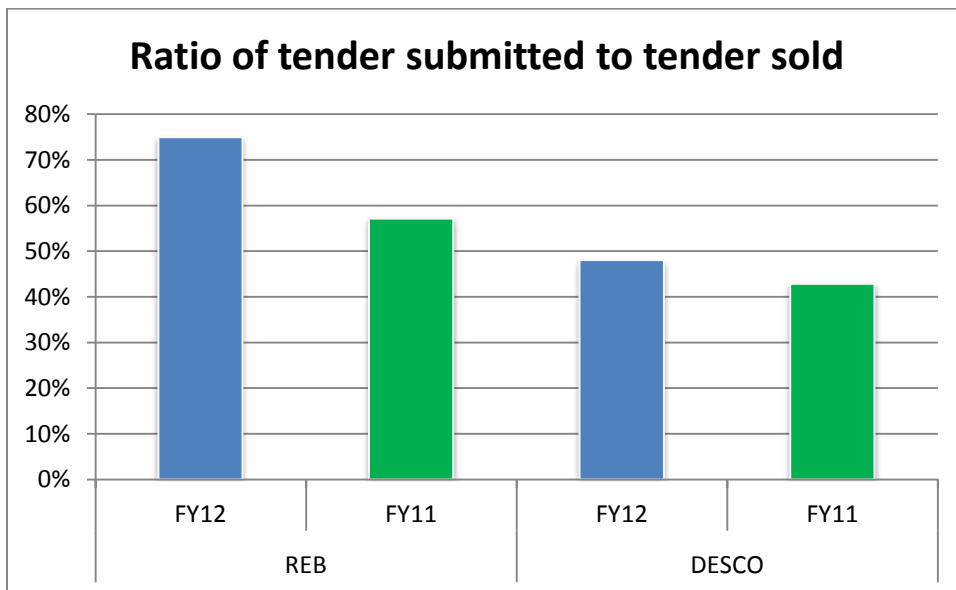


Figure 5.21: Findings against Ratio of tender submitted to tender sold

Both organizations demonstrated improving performance against this criterion. REB was in a better position compared to DESCO. However, both organizations may concentrate in this area with a target to eliminate the factors that restrict tenderers to participate in the tendering process.

5.3.5 Ratio of responsive tenders to tender submitted

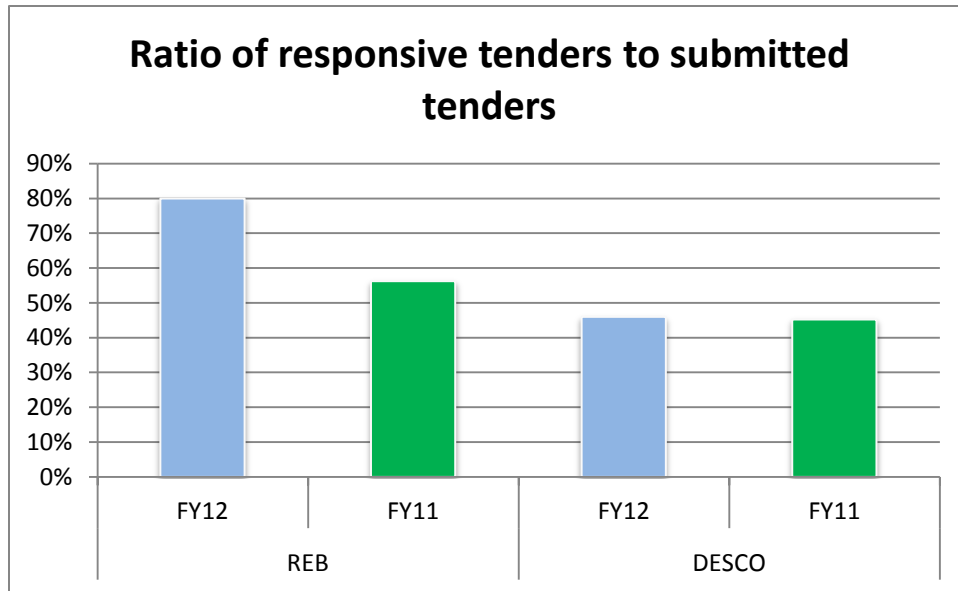


Figure 5.22: Findings against Ratio of responsive tenders to submitted tenders

REB was in a much better position compared to DESCO. Interviewing some of the concerned evaluation committee members revealed that unnecessary strict tender evaluation by the committees, ambiguous/targeted product specifications and drafting qualification criteria to favour particular tenderers could be the reasons behind this lower rate in DESCO.

5.3.6 Percentage of tenders having sufficient tender submission time

To ensure that the tenderers get sufficient time for tender preparation and for their submission the PPR 2008 and as well as procurement guidelines of DESCO have specified time lines based on the value of the procurements. In this regards, the provision incorporated in PPR 2008 stated that there must be minimum 14 days between date of IFT and submission deadline for tender valued up to BDT 20 million and the minimum time period is 21 days for tender valued from BDT 20 million to BDT 50 million and 28 days for tender value above BDT 50 million. Ensuring adequate time for tender preparation increases competitiveness and chances of getting better quality products at cheaper rate also increases.

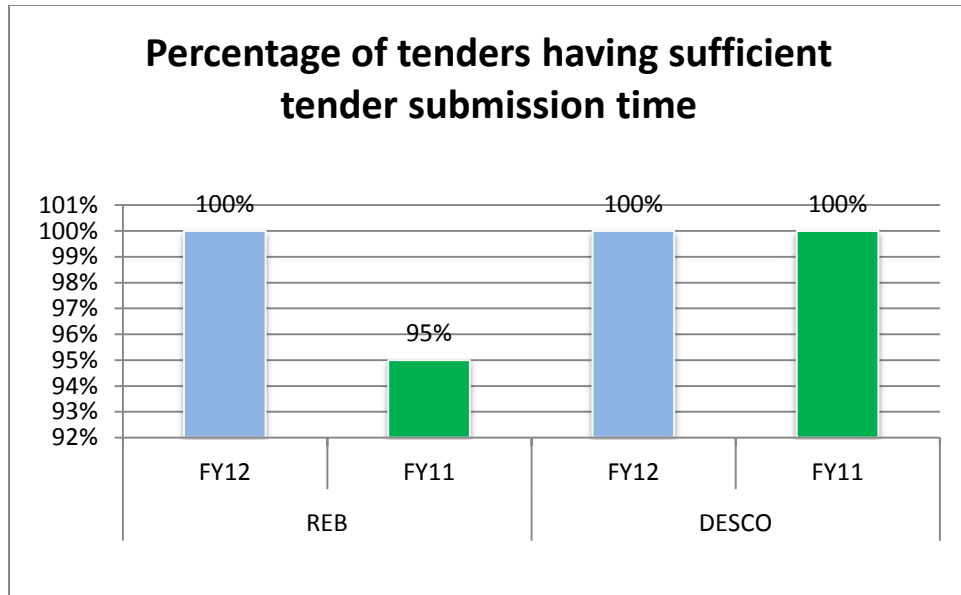


Figure 5.23: Findings against % of tenders having sufficient tender submission time

The study shows that both the organizations demonstrated excellent performance against this criterion.

CHAPTER 6

FINDINGS AND CONCLUSION

6.1 Summary of the Findings

The main objective of the study was to evaluate, compare and contrast the procurement performance of a government agency (REB) with a public limited company (DESCO) in the Power Sector of Bangladesh in terms of transparency, efficiency and competitiveness. The specific objectives were to find out the bottlenecks that create delay in the procurement process and to find out areas of improvement for both the organizations. The evaluation was conducted on the basis of a set of Key Performance Indicators (KPI) covering all three study areas, i.e. transparency, efficiency and competitiveness. The overall findings are discussed below in summarized form.

6.1.1 Transparency

Five KPIs were used to find out and compare transparency of the procurement process of both the organizations. The overall findings are demonstrated using the following figures.

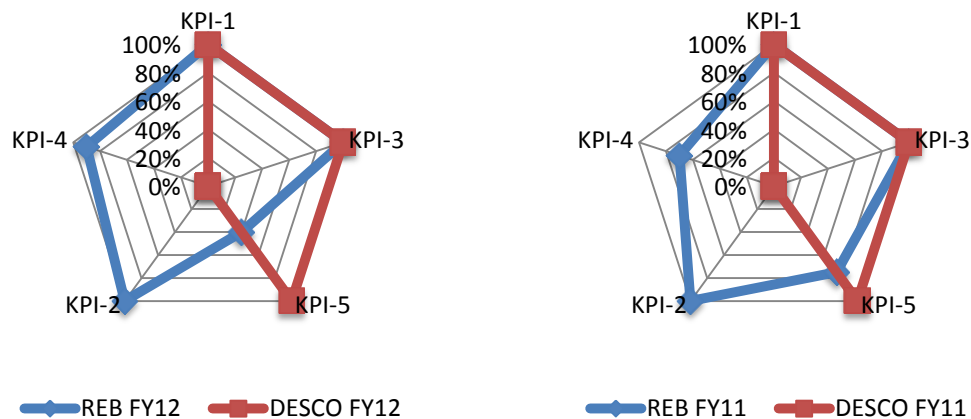


Figure 6.1: Summary of Transparency KPIs

Both organizations published 100% of their Invitation for Tenders (IFT) in the widely circulated national dailies (KPI-1) and thus facilitated and activated the potential and interested tenderers to participate in tendering. In the FY12, REB published 100% of the IFTs and 90% of the contract

award decisions for each contract valued BDT 10 million or above in CPTU’s website (KPI-2 and KPI-4). DESCO did not publish those in CPTU’s website, instead only published the IFTs in its own website. Though publishing information in CPTU’s website is not mandatory for DESCO, but to make the procurement process more transparent DESCO may publish these to CPTU’s website. Both the organizations used two external members(KPI-3)in all their Tender Evaluation Committees (TEC) which enhanced transparency of the evaluation process. Against the criterion of % of cases TEC submitted report directly to the contract Approving Authority(KPI-5),DESCO did extremely well consistently with 100% compliance, while REB’s performance against this criterion is deteriorating. Therefore this is potential area for REB where significant performance could be improved which eventually would improve transparency of the procurement process.

6.1.2 Efficiency

Twelve KPIs were used to find out and compare efficiency of the procurement process of both the organizations. Mainly two types of KPIs were used, i.e. average time based (KPI-6 to 13) and percentage based (KPI-14 to 17). The overall findings are demonstrated using the following figures.

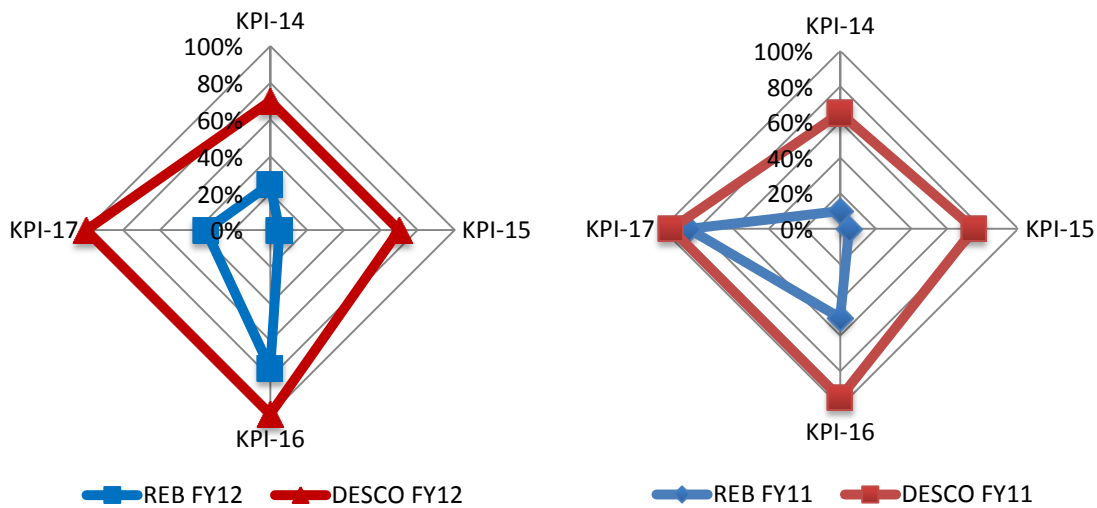


Figure 6.2: Summary of primary Efficiency KPIs

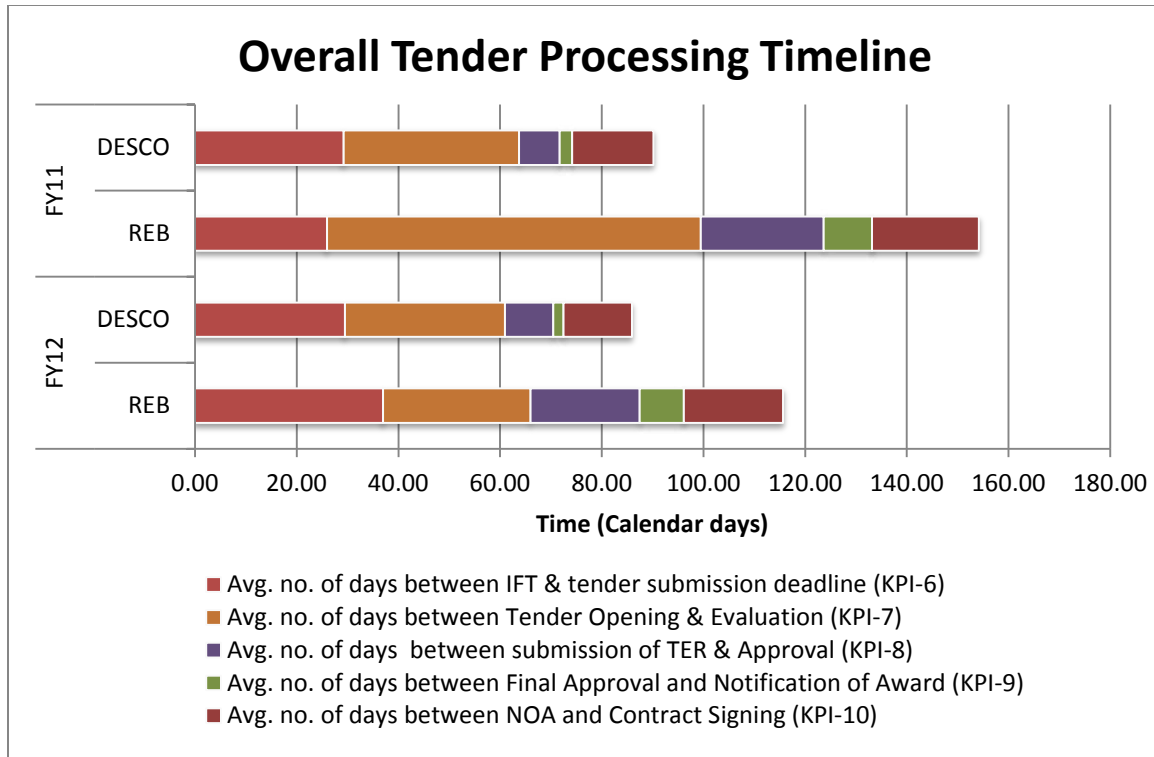


Figure 6.3: Overall tender processing timeline

Clearly in all the efficiency related KPIs, DESCO outcompeted REB. From FY11 to FY12 REB improved its performance regarding average processing time from invitation for tenders to contract signing. REB in FY11 and FY12 on an average signed contract within 154 days and 115 days respectively from issuance of IFT. While DESCO took only 90 and 86 days respectively even after using single stage two envelopes procedure. % of cases tender evaluation completed within timeline (KPI-14) shows that REB's performance is poor regarding completing tender evaluation in timely manner. This is a potential area for DESCO to improve its performance further. Stakeholders' interviews revealed that the main reason of delay is unavailability of dedicated officials for tender evaluation. All the TEC members evaluated tenders in addition to their day to day job and hence took higher time. REB took excessive time in approving the tenders (KPI-15). DECO was capable to maintain its higher performance in awarding the tenders within initial tender validity period (KPI-16) while REB improved its performance from FY11 to FY12. While DESCO demonstrated better performance over the years, REB showed decreasing performance in managing contracts (KPI-17).

Figure 6.3 shows that the time required to evaluate the tenders, approve tenders and time gap between approval and issuance of notification of award are the areas where REB may work on and reduce wastage of time significantly.

6.1.3 Competitiveness

Six KPIs were used to find out and compare competitiveness of the procurement process for both the organizations. Mainly two types of KPIs were used, i.e. average number based (KPI-18 to 20) and percentage based (KPI-21 to 23). The overall findings are demonstrated using the following figures.

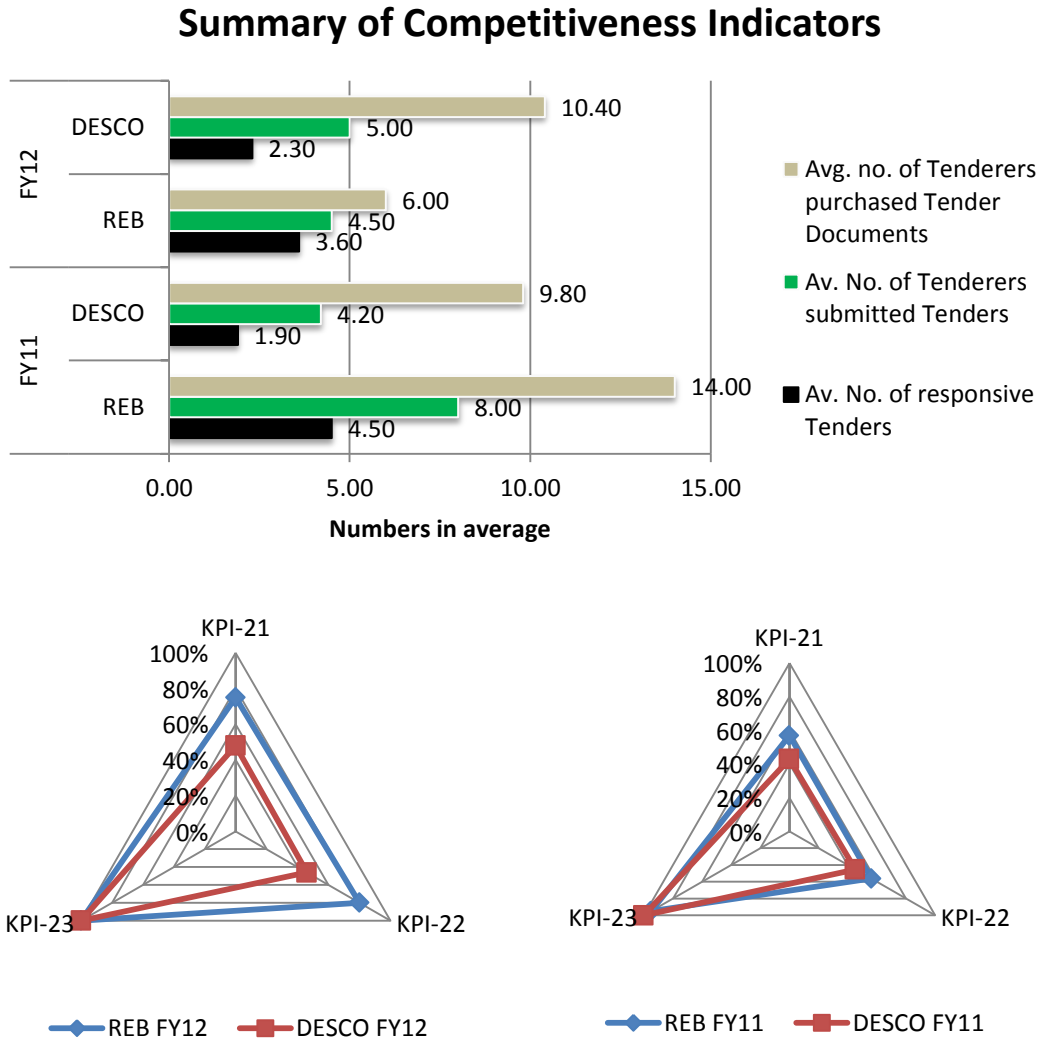


Figure 6.4: Summary of primary Competitiveness KPIs

In the year FY12, in case of DESCO on an average, 10 tenderers purchased tender documents against an IFT (KPI-18); while 5 tenderers submitted tender against an IFT (KPI-19). Thus, the

participation ratio was 48% (KPI-21). Again, the average number of responsive tenders against an IFT was 2.3 (KPI-20), which is 46% of the number of tenders submitted against an IFT (KPI-22) and thus indicating moderately stiff competition among the tenderers. While in the same year in case of REB, on an average 6 tenderers purchased tender documents against an IFT (KPI-18); while 4.5 tenderers submitted tender against an IFT (KPI-19). Thus, the participation ratio was 75% (KPI-21). Again, the average number of responsive tenders against an IFT was 3.6 (KPI-20), which is 80% of the number of tenders submitted against an IFT (KPI-22) and thus indicating highly stiff competition among the tenderers. Both organizations demonstrated improving performance against these criteria.

Ensuring adequate time for tender preparation increases competitiveness and chances of getting better quality products at cheaper rate as well. Both the organizations demonstrated excellent performance against the criterion of providing adequate time to the tenderers to prepare and submit their tenders.

6.2 Conclusion

The study revealed that REB and DESCO demonstrated moderate to good performance in undertaking most of the procurement activities. The organizations ensured transparency in procurement through advertising 100% of the IFTs in widely circulated newspapers.

However, performance is poor as regards to the efficiency of procurement process and contract management in REB compared to DESCO, and it is moderate in terms of competitiveness and transparency for both the organizations. Procurement processing delays primarily during tender evaluation and approval have been identified as the major challenge in REB, and it was observed that the higher the hierarchy levels of procurement decision-making, the lesser the efficiency of the procurement system.

The overall attainments of the two organizations in respect to their performance in procurement functions have been showing gradual improvement from FY11 to FY12. It is expected that the organizations will keep up this progressive trend of performance in carrying out the public procurements by ensuring the highest possible extent of transparency, efficiency and

competitiveness. To improve the level of transparency, efficiency and competitiveness, the organizations are required to enhance their vigilance for attaining 100% in respect of the following:

- Publishing of contract awards in CPTU website
- Evaluation of tenders within the specified timelines
- Taking contract award decisions within timelines
- Completing the contracts within the scheduled time
- Maintaining information about complaints regarding procurement process

Efficient and effective procurement management is of paramount necessity for power sector organizations in order to produce and provide quality electricity and related services to the consumers. By making the procurement system more transparent and less time consuming, organizations can attract large number of suppliers and thereby facilitate higher competition among the suppliers; which will result in procurement of good quality products with competitive price. Thus the organizations will be able to provide better quality electricity and related services to the consumers.

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Appendix-I: Tables on Key Performance Indicators

Table I(a): % of invitation (IFT) published in newspapers

		REB		DESCO	
		FY12	FY11	FY12	FY11
KPI-1	Sample size (No. of Contracts)	20	20	20	20
	IFT published in Newspapers (Nos.)	20	20	20	20
	% of invitation (IFT) published in newspapers	100%	100%	100%	100%

Table I(b): % of IFT above threshold (BDT10m) advertised in CPTU's website

		REB		DESCO	
		FY12	FY11	FY12	FY11
KPI-2	Sample size (No. of Contracts)	20	20	20	20
	No. of IFT above threshold	10	10	10	10
	IFT published in organization's own website (Nos.)	20	20	20	20
	IFT published in CPTU website (Nos.)	10	9	0	0
	% of IFT advertised in organization's own website	100%	100%	100%	100%
	% of IFT above threshold (BDT10m) advertised in CPTU's website	100%	90%	0%	0%

Table I(c): % of contracts valued BDT 10 m and above Published in CPTU website

		REB		DESCO	
		FY12	FY11	FY12	FY11
KPI-4	Sample size (No. of Contracts)	20	20	20	20
	No. of Contract above threshold	10	10	10	10
	Contract published in CPTU website (Nos.)	9	7	0	0
	% of contracts valued BDT 10 m and above Published in CPTU website	90%	70%	0%	0%

Table I(d): % of cases TEC submitted report directly to the contract Approving Authority

		REB		DESCO	
		FY12	FY11	FY12	FY11
KPI-5	No. of cases TEC submitted report directly to the AA (Estimated value upto BDT10m)	6.00	6.00	10.00	10.00
	No. of cases TEC submitted report directly to the AA (Estimated value above BDT10m)	2.00	9.00	10.00	10.00
	% of cases TEC submitted report directly to the AA				
	Estimated value upto BDT10m	60%	60%	100%	100%
	Estimated value above BDT10m	20%	90%	100%	100%
	Overall	40%	75%	100%	100%

Table I(e): Avg. no. of days between IFT & tender submission deadline

		REB		DESCO	
		FY12	FY11	FY12	FY11
KPI-6	Avg. no. of days between IFT & tender submission deadline				
	Estimated value upto BDT10m	36.00	20.00	30.00	29.00
	Estimated value above BDT10m	38.00	32.00	29.00	29.50
	Overall	37.00	26.00	29.50	29.25

Table I(f): Avg. no. of days between Tender Opening & Evaluation

		REB		DESCO	
		FY12	FY11	FY12	FY11
KPI-7	Avg. no. of days between Tender Opening & Evaluation				
	Estimated value upto BDT10m	28.00	59.00	23.00	24.00
	Estimated value above BDT10m	30.00	88.00	40.00	45.00
	Overall	29.00	73.50	31.50	34.50

Table I(g): Avg. no. of days between submission of TER & Approval

		REB		DESCO	
		FY12	FY11	FY12	FY11
KPI-8	Avg. no. of days between submission of TER & Approval				
	Estimated value upto BDT10m	12.00	13.00	3.00	2.00
	Estimated value above BDT10m	31.00	35.40	16.00	14.00
	Overall	21.50	24.20	9.50	8.00

Table I(h): Avg. no. of days between Final Approval and Notification of Award (NOA)

		REB		DESCO	
		FY12	FY11	FY12	FY11
KPI-9	Avg. no. of days between Final Approval and Notification of Award (NOA)				
	Estimated value upto BDT10m	6.00	7.00	2.00	2.50
	Estimated value above BDT10m	11.39	12.00	2.00	2.40
	Overall	8.70	9.50	2.00	2.45

Table I(i): Avg. no. of days between NOA and Contract Signing

Avg. no. of days between NOA and Contract Signing		REB		DESCO	
		FY12	FY11	FY12	FY11
KPI-10	Estimated value upto BDT10m	16.00	18.00	13.00	15.00
	Estimated value above BDT10m	23.00	24.00	14.00	17.00
	Overall	19.50	21.00	13.50	16.00

Table I(j): Avg. no. of days between Tender Opening and NOA

Avg. no. of days between Tender Opening and NOA		REB		DESCO	
		FY12	FY11	FY12	FY11
KPI-11	Estimated value upto BDT10m	46.00	79.00	28.00	29.00
	Estimated value above BDT10m	72.00	136.00	58.00	60.50
	Overall	59.00	107.50	43.00	44.75

Table I(k): Avg. no. of days between IFT and NOA

Avg. no. of days between IFT and NOA		REB		DESCO	
		FY12	FY11	FY12	FY11
KPI-12	Estimated value upto BDT10m	82.00	99.00	58.00	58.00
	Estimated value above BDT10m	110.00	168.00	87.00	90.00
	Overall	96.00	133.50	72.50	74.00

Table I(l): Avg. no. of days between IFT and Contract Signing

Avg. no. of days between IFT and Contract Signing		REB		DESCO	
		FY12	FY11	FY12	FY11
KPI-13	Estimated value upto BDT10m	98.00	117.00	71.00	73.00
	Estimated value above BDT10m	133.00	192.00	101.00	107.00
	Overall	115.50	154.50	86.00	90.00

Table I(m): % of cases Tender evaluation completed within timeline

		REB		DESCO	
		FY12	FY11	FY12	FY11
KPI-14	No. of cases evaluation completed within the timeline (Estimated value upto BDT10m)	4.00	2.00	7.00	7.00
	No. of cases evaluation completed within the timeline (Estimated value above BDT10m)	1.00	0.00	7.00	6.00
	% of cases Tender evaluation completed within timeline:				
	Estimated value upto BDT10m	40%	20%	70%	70%
	Estimated value above BDT10m	10%	0%	70%	60%
	Overall	25%	10%	70%	65%

Table I(n): % of contract award decision within time limit by AA

		REB		DESCO	
		FY12	FY11	FY12	FY11
KPI-15	No. of cases contract award decision made within time limit by AA (Estimated value upto BDT10m)	1.00	1.00	10.00	10.00
	No. of cases contract award decision made within time limit by AA (Estimated value above BDT10m)	0.00	0.00	4.00	5.00
	% of contract award decision within time limit by AA				
	Estimated value upto BDT10m	10%	10%	100%	100%
	Estimated value above BDT10m	0%	0%	40%	50%
	Overall	5%	5%	70%	75%

Table I(o): % of contracts awarded within initial tender validity period

		REB		DESCO	
		FY12	FY11	FY12	FY11
KPI-16	No. of cases contracts awarded within initial Tender validity period (Estimated value upto BDT10m)	6.00	6.00	10.00	10.00
	No. of cases contracts awarded within initial Tender validity period (Estimated value above BDT10m)	9.00	4.00	10.00	9.00
	% of contracts awarded within initial tender validity period				
	Estimated value upto BDT10m	60%	60%	100%	100%
	Estimated value above BDT10m	90%	40%	100%	90%
	Overall	75%	50%	100%	95%

Table I(p): % of contracts completed within original deadline

		REB		DESCO	
		FY12	FY11	FY12	FY11
KPI-17	No. of cases contracts completed within original deadline (Estimated value upto BDT10m)	2.00	8.00	10.00	10.00
	No. of cases contracts completed within original deadline (Estimated value above BDT10m)	5.00	9.00	10.00	9.00
	% of contracts completed within original deadline				
	Estimated value upto BDT10m	20%	80%	100%	100%
	Estimated value above BDT10m	50%	90%	100%	90%
	Overall	35%	85%	100%	95%

Table I(q):Avg. no. of Tenderers purchased Tender Documents

Avg. no. of Tenderers purchased Tender Documents		REB		DESCO	
		FY12	FY11	FY12	FY11
KPI-18	Estimated value upto BDT10m	7.00	17.00	6.10	4.10
	Estimated value above BDT10m	5.00	11.00	14.60	14.30
	Overall	6.00	14.00	10.40	9.80

Table I(r):Av. No. of Tenderers submitted Tenders

Av. No. of Tenderers submitted Tenders		REB		DESCO	
		FY12	FY11	FY12	FY11
KPI-19	Estimated value upto BDT10m	5.00	10.00	4.60	2.80
	Estimated value above BDT10m	4.00	6.00	5.40	5.20
	Overall	4.50	8.00	5.00	4.20

Table I(s):Av. No. of responsive Tenders

Av. No. of responsive Tenders		REB		DESCO	
		FY12	FY11	FY12	FY11
KPI-20	Estimated value upto BDT10m	4.00	6.00	2.50	1.70
	Estimated value above BDT10m	3.20	3.00	2.20	2.10
	Overall	3.60	4.50	2.30	1.90

Table I(t):% of Tenders having sufficient tender submission time.

		REB		DESCO	
		FY12	FY11	FY12	FY11
KPI-23	Sample size (No. of Contracts)	20	20	20	20
	No. of Contract having sufficient tender submission time.	20	19	20	20
	% of Tenders having sufficient tender submission time.	100%	95%	100%	100%

Table I(u):: Summary of the findings against All KPIs

Key Performance Indicators		REB		DESCO	
		FY12	FY11	FY12	FY11
KPI-1	% of Invitation for Tender (IFT) published in newspapers	100%	100%	100%	100%
KPI-2	% of IFT above threshold (BDT10m) advertised in CPTU's website	100%	100%	0%	0%
KPI-3	% of cases TEC included two external members (outside the organization)	100%	100%	100%	100%
KPI-4	% of contracts valued BDT 10 m and above published in CPTU website	90%	70%	0%	0%
KPI-5	% of cases TEC submitted report directly to the contract Approving Authority (AA)	40%	75%	100%	100%
KPI-6	Avg. no. of days between IFT & tender submission deadline	37	26	29.5	29.25
KPI-7	Avg. no. of days between tender opening & completion of evaluation	29.00	73.50	31.50	34.50
KPI-8	Avg. no. of days between submission of Tender Evaluation Report (TER) & approval	21.50	24.20	9.50	8.00
KPI-9	Avg. no. of days between final Approval and Notification of Award (NOA)	8.70	9.50	2.00	2.45
KPI-10	Avg. no. of days between NOA and contract signing	19.50	21.00	13.50	16.00
KPI-11	Avg. no. of days between tender opening and NOA	59.00	107.50	43.00	44.75
KPI-12	Avg. no. of days between IFT and NOA	96.00	133.50	72.50	74.00
KPI-13	Avg. no. of days between IFT and contract signing	115.50	154.50	86.00	90.00
KPI-14	% of cases tender evaluation completed within timeline	25%	10%	70%	65%
KPI-15	% of contract award decision made by contract Approving Authority (AA) within time limit	5%	5%	70%	75%
KPI-16	% of contracts awarded within initial tender validity period	75%	50%	100%	95%
KPI-17	% of contracts completed within original deadline	35%	85%	100%	95%
KPI-18	Avg. no. of tenderers purchased tender documents	6	14	10.4	9.8
KPI-19	Avg. no. of tenderers submitted tenders	4.5	8	5	4.2
KPI-20	Avg. no. of responsive tenders	3.6	4.5	2.3	1.9
KPI-21	Ratio of tender submitted to tender sold	75%	57%	48%	43%
KPI-22	Ratio of responsive tenders to tender submitted	80%	56%	46%	45%
KPI-23	% of tenders having sufficient tender submission time.	100%	95%	100%	100%

Appendix-II: Compliance and Performance Indicators

Organization for Economic Co-operation and Development- Development Assistance Committee (OECD-DAC)

Compliance or Performance Indicator	Related Baseline Indicator/Sub indicator	Suggested Source of Information	Considerations for Assessment
	1) The public procurement legislative and regulatory framework.		
Percentage of procurement subject to the legislative framework being assessed (in volume and in number of contracts) carried out through open tendering.	1b) - Procurement methods.	Aggregate statistics on procurement.	The degree to which open tendering is used as the default method of procurement is represented by the volume of procurement carried out under this method. Open tendering might not be an efficient method for smaller contracts. One would expect that a large volume of procurement in value is grouped in a relatively low percentage of contracts. A high number of contracts procured under open tender can result in high administrative costs or it might indicate that the contracts are kept intentionally small even though grouping of requirements into larger contracts could result in wider competition (including international) and improve economies of scale. A low percentage of open tenders can indicate fractioning of procurement to avoid open tendering. The assessor should look into the prevailing contract packaging practices.
(a) - Percentage of invitations for open tenders publicly advertised. (b) – Average number of days between tender advertisement and tender opening	1c) - Advertising rules and time limits.	Sample of procurement cases.	The percentage of open tender that are actually advertised should be high. If the percentage of tenders not publicly advertised is above 5%, there is reason for concern. The average time provided between advertisement and submission of tenders should be reasonable to allow for adequate preparation of tenders for the prevalent type of procurement under this method. Averages of four weeks or longer are desirable.

Compliance or Performance Indicator	Related Baseline Indicator/Sub indicator	Suggested Source of Information	Considerations for Assessment
Percentage of open tender documents that include provisions limiting participating for reasons other than qualifications or acceptable exclusions.	1d) - Rules on participation and qualitative selection	Sample of procurement cases. Surveys with trade and professional associations.	In practice it is difficult to know how many potential tenderers were discouraged by the existence of barriers to entry. An indirect way of measuring the extent to which this occurs is through the review of a representative sample of tendering documents to see the percentage that contain exclusions of the kind described.
Percentage of tenders rejected in each process.	1e) - Tender documentation and technical specifications.	Sample of procurement cases	A low percentage of responsive bids may be an indication of restrictive specifications, insufficient information in the tendering documents, an overly legalistic application of the tender requirements or inability by the market to respond to the requirements. In case of high levels of rejection (e.g. over 40%), the assessor should find out the key reasons. Special attention should be paid to patterns for rejections (e.g. restrictive specifications, lack of information in the tender documents, compliance with formalities required by the documents)
(a) Percentage of tenders including non quantifiable or subjective evaluation	1f) - Tender evaluation and award criteria	Sample of procurement cases	High use of subjective or non-quantifiable criteria can be an indication of abuse in the evaluation of tenders.
(b) Public perception of confidentiality of tender evaluation process.		Survey of or interviews with participants in the procurement processes	Confidentiality cannot be measured quantitatively but a survey or interviews with tenderers and other civil society actors can give a good indication on this matter.
Percentage of tenders opened publicly and recorded.	1g) – Submission, receipt and opening of tenders	Sample of procurement cases	A lack of records for public opening or failure to open tenders that should have been publicly opened might be an indication of inappropriate controls.
Percentage of cases resolved within the terms established in the legal framework.	1h) – Complaints system structure and sequence	Statistics on complaint resolution.	Sampling of cases will give some indication of timeliness of complaints resolution.
	2) Implementing Regulations and Documentation		

Compliance or Performance Indicator	Related Baseline Indicator/Sub indicator	Suggested Source of Information	Considerations for Assessment
Percentage of tenders that use model tender documents or clauses.	2b) – Model tender documents for goods, works, and services.	Sample of procurement cases	When model or standard documents or a set of mandatory clauses exist, reviewing a sample of tenders will show the extent to which they are used in actuality. The results should be analyzed further to determine reasons for poor usage.
a) Percentage of cases where prequalification was used appropriately as prescribed in the legal framework. b) Percentage of cases that used objective pass/fail prequalification criteria as opposed to subjective qualitative ones.	2c) – Procedures for pre-qualification.	Sample of procurement cases subject to prequalification.	The performance assessment for this indicator should verify: a) whether prequalification is generally used according to the established criteria and b) whether the criteria used are of the objective type and relevant to the procurement under consideration.
Percentage of tenders that use the GCC, standard clauses or templates as applicable.	2f) – Existence and coverage of General Conditions of Contracts (GCC) for public sector contracts.	Sample of procurement cases	A high level of usage should be expected. Further analysis should be done to determine basis for low percentage of use.
	3) Integration and mainstreaming of the public procurement system into the public sector governance system.		
Percentage of payments made late (e.g. exceeding the contractually specified payment schedule).	3b) – Budget law and financial procedures support timely procurement, contract execution, and payment.	Sample of procurement cases	Reason for high percentage of late payment needs to be determined.
(a) Percentage of major contracts without completion reports. (b) Average time after contract completion for completion reports to be prepared.	3f) – Systematic completion reports are prepared for certification of budget execution and for reconciliation of delivery with budget programming.	Sample of procurement cases. National budget office information.	Determine reasons for long average time (over six months).
	4) Normative and regulatory functions.		

Compliance or Performance Indicator	Related Baseline Indicator/Sub indicator	Suggested Source of Information	Considerations for Assessment
Percentage of those surveyed that perceive procurement as being performed competently and independently.	4c) – Adequacy of organization, funding, staffing, and level of independence and authority (formal power) to exercise the duties under (b).	Survey or interviews with participants in the procurement processes	The regulatory function needs to be adequately staffed and financed and have sufficient formal power to do the job. As it may be difficult to assess the adequacy of the resources allocated to this function and its level of independence and authority, a proxy for assessing this area is through surveys or interviews as to how the level of service and independence is perceived by the stakeholders. A low level of perceived service might be indicative of a shortage of resources (quantity and quality) or independence or both
Percentage of those surveyed that perceive the regulatory function to be free of conflict.	4d) – Separation and clarity of responsibilities to avoid conflict of interest in the execution of procurement transactions.	Survey or interviews with participants in the procurement processes	
	5. Institutional development capacity.		
Age of information	5b) – Systems and procedures for collecting and monitoring national procurement statistics.	Review of posted information to determine whether it is current and accurate.	This is a proxy to assess the importance that the country attaches to the system and the currency of information and of the quality of its operation.
(a) Number of staff involved in procurement in the central government that receives formal training in the year. (b) Average waiting time to get in a formal training event.	5c) Training capacity for procurement.	Review of annual training statistics	The assessor should focus on formal training to meet the requirements of the job for those involved in the procurement process.
Average number of days for procurement cycle from tender advertisement to contract award	6. Efficiency of procurement operations and practices.	Sample of procurement cases	This provides information on the overall agility of the decision making process and the efficiency of the system.

Compliance or Performance Indicator	Related Baseline Indicator/Sub indicator	Suggested Source of Information	Considerations for Assessment
Percentage of contracts found with incomplete records being retained.	6c) – Norms for the safekeeping of records and documents related to transactions and contract management.	Sample of procurement cases	
	7. Functionality of the public procurement market.		
Opinion on effectiveness of mechanisms to engage with relevant organizations or agencies.	7a) – Effective mechanisms for partnerships between the public and private sector	Survey or interviews with participants in the procurement processes	Opinions of the private sector and civil society can help determine if the mechanisms are working well.
Average number of tenders submitted in each process	7b) – Private sector institutions are well organized and able to access the market.	Sample of procurement cases	Low participation rates by the private sector may be an indication of access or other issues that discourage companies from engaging in the public procurement market.
	8. Existence of contract administration and dispute resolution provisions.		
Percentage of contracts containing such provisions Evidence in contracts surveyed that contract administration is timely	8a) – Procedures are clearly defined for undertaking contract administration responsibilities	Sample of procurement cases	Contracts reviewed should provide information on the responsible party for administration of the contract. Contract files should show evidence that contract administration matters are handled in a timely manner.
Percentage of contracts that include ADR provisions.	8b) – Contracts include adequate dispute resolution procedures.	Sample of procurement cases	Indicates the extent of use of ADR
	9. Effectiveness of control and audit systems		
Number of recommendations pending after one year.	9b) – Enforcement and follow-up on findings and recommendations	Review of Audit Reports and status of recommended actions.	Review of outstanding audit recommendations and timeliness of implementation will provide information as to the degree of importance the government places on enforcement of audit findings.
Number of qualified opinions from external auditors due to critical internal control weaknesses and	9c) – The internal control system provides timely information on compliance to enable	Review of Audit Reports and status of recommended actions.	

Compliance or Performance Indicator	Related Baseline Indicator/Sub indicator	Suggested Source of Information	Considerations for Assessment
recommendations referring to internal controls that remain outstanding.	management action		
Percentage of agencies reviewed with written internal control procedures.	9d) – The internal control systems are sufficiently defined to allow performance audits to be conducted.	Review of audit reports to determine use of performance auditing.	
	10. Efficiency of appeals mechanism.		
(a) Percentage of complaints processed within the time limits in the legal framework. (b) Percentage of decisions taken that are enforced.	10b) Capacity of the system for handling and enforcing complaints decisions.	Statistics of the complaints review system.	
Percentage of favorable opinions	10c) – Fairness of the complaints system.	Survey or interviews with participants in the procurement processes	Fairness is an indicator best measured through the perception and opinions of those that use the system under review.
	12. Anticorruption Measures		
Percentage of cases that result in sanctions or penalties.	12c) Evidence of enforcement of rulings and penalties	Statistics on prosecution of corruption cases.	Allegations of corruption must be taken seriously and investigated. However, care must be taken to avoid confusing an allegation with being a true indication of corruption since it is often a political tool that can be abused. Most corruption agencies seek to leverage their work by focusing on serious cases and on the enforcement of the rulings or penalties.
Percentage of favorable opinions by the public on the effectiveness of the anticorruption measures.	12d) Effectiveness of the anticorruption measures on public procurement.	Survey or interviews with citizens and other stakeholders.	

Appendix-III: Questionnaire to capture procurement data

Sl.	Process Area	KPI	Questionnaire
Invitation for Tender (IFB)			
1.	Advertisement of bid opportunities in newspaper	% of open tendering publicly advertised	Q.1. Was the tender document published in the daily newspaper? Yes : No : Q.2. If yes, in which newspapers was it published? 1. _____ 2. _____ 3. _____ 4. _____
2.	Advertisement of bid opportunities in CPTU's website	% of open tendering (above threshold) advertised in CPTU's website	Q.3. Was the invitation for tender published in CPTU website? Yes : No :
Bid Submission:			
3.	Bid preparation time in open tendering method	Average number of days between IFB publication and bid submission deadline.	Q.4. How many days were allowed between publishing of advertisement and tender submission? _____ Days
4.	Bidding time compliance	% of cases allowed adequate time for bidding.	Q.5 Did the number of days between publishing of advertisement and tender submission fulfill the minimum time requirement? Yes : No :
5.	Sale of bidding documents	Average number of bidding documents sold	Q.6. How many tender documents were sold? _____ nos.
6.	Bidder participation	Average number of bidders submitted the bid .	Q.7. How many tenderers submitted tenders? _____ nos.
Bid Opening Committee (BOC) and Bid Evaluation Committee (BEC)			
7.	Outside member in BEC	% of cases BEC included two external members outside the procuring entity.	Q.8. Was any member from other organizations included in the TEC? Yes : No : Q.9. If yes, how many? _____ nos.

Bid Evaluation:			
8.	Bid evaluation time	Average number of days between tender opening and completion of evaluation.	<p>Q.10. How many days were taken between tender opening and completion of evaluation by the TEC? _____ Days</p> <p>Q.11. Did the TEC require extension of bid validity time for evaluation?</p> <p>Yes : No :</p> <p>Q.12. How many days TEC took to submit evaluation report to the approving authority after completion of evaluation?</p> <p>_____ Days</p>
9.	Compliance of bid evaluation time	% of cases bid evaluation has been completed within timeline.	<p>Q.13. Was the bid evaluation completed within given time?</p> <p>Yes : No :</p>
10.	Bid Acceptance	Average no. of responsive bids	<p>Q.14. How many Tenders were found responsive?</p> <p>_____Nos.</p>
11.	Re-bidding	% of cases TEC recommended for re-bidding	<p>Q.15. Was re-bidding recommended by TEC for this contract?</p> <p>Yes : No :</p>
Bid Evaluation Report (BER) Approval			
12.	Bid Evaluation Approval Time	Average number of days taken by the approving authority.	<p>Q.16. How many days the approving authority took for approving the bid evaluation report after submission?</p> <p>_____ Days</p>
13.	Submission of evaluation report to appropriate authority	% of cases BEC submitted report directly to the approving authority.	<p>Q.17. Did TEC submit evaluation report directly to the appropriate approving authority?</p> <p>Yes : No :</p>
14.	BER approval compliance	% of cases contract award decision made within timeline by contract approving authority.	<p>Q.18. Was the contract approved within the prescribed time after submission of bid evaluation report/recommendation?</p> <p>Yes : No :</p>
Contract Award:			
15.	Bid processing lead time	Average number of days between bid opening and Notification of Award (NOA).	<p>Q.19. How many days were taken from the date of opening of tender and issuance of NOA?</p> <p>_____ Days</p> <p>Q.20. How many days were taken between NOA issuance and signing of contract?</p> <p>_____ Days</p>
16.	Publication of award	% of contract awards published	<p>Q.21. Was the contract award published in CPTU website?</p>

	information	in CPTU's website.	Yes : No :
17.	Efficiency in contract award	% of contracts awarded within initial tender validity period	<p>Q.22. Was this contract awarded within initial tender validity period?</p> <p>Yes : No :</p> <p>Q.23. If no, what were the reasons?</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>Q.24. Was it necessary to extend the bid validity period?</p> <p>Yes : No :</p> <p>Q.25. If yes, how many times and days was it extended?</p> <p>_____ Times</p> <p>_____ Days</p>
Delivery completion			
18.	Delivery time	% of contracts completed within original deadline.	<p>Q.26. Was the delivery completed within original deadline as mentioned in the contract?</p> <p>Yes : No :</p> <p>Q. 27. Was the period extended?</p> <p>Yes : No :</p> <p>Q. 28. If yes, how many times was delivery period extended?</p> <p>_____ Times</p>
19.	Completion rate	% of contracts fully completed and accepted	Q. 29. Did the supplier complete the tasks as per contract and accepted by the agency?

Appendix IV: List of Persons Met

1. Mr. Aziz Taher Khan, Director, CPTU, IMED
2. Mr. AKM FazlulKarim, Procurement Reform Implementation Advisor, CPTU, IMED
3. Mr. MosharafHossain, System Analyst, PPRP II, CPTU
4. Mr. Nazrul Islam, PISC, PPRP II,REB
5. Director procurement, REB
6. Deputy Director Procurement, REB
7. Director Procurement, DESCO
8. DGM Procurement, DESCO
9. Manager procurement, DESCO
10. Deputy Manager Procurement, DESCO
11. Proprietor, Munshi Engineering
12. Advisor, Energypac Ltd.