Procurement Capacity Development Process

Danish Assistance to Bangladesh
Agricultural Sector Programme Support, Phase II (ASPS II)
Water and Sanitation Sector Programme Support, Phase II (WSSPS II)

Scoping Mission to Bangladesh, November 2 – 11, 2008

Mission Report (Draft of November 21, 2008)
Rita Roos, Senior Procurement Consultant
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**Annexes**

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Annex 2: List of People met  
Annex 3: List of Documents reviewed  
Annex 4: Debriefing presentation  
Annex 5: Terms of Reference Procurement Capacity Assessment and Design of a Procurement Development Plan (Draft)
1. Introduction

In line with the principles of the Paris Declaration, the Danish assistance to Bangladesh through the Agricultural Sector Programme Support, Phase II (ASPS II, approx. USD 110 mill.) and the Water and Sanitation Sector Programme Support, Phase II (WSSPS II, approx. USD 70 mill.) are following a gradual alignment with the Government of Bangladesh (GoB) set-up and procedures in terms of programme and component management, financial flows, auditing, procurement and reporting.

By 2008 the two sector programmes generally follow the GoB Public Procurement Act 2006 (PPA 2006) and the Public Procurement Rules 2008 (PPR 2008).

This report presents an overview of findings from a scoping mission to Bangladesh from November 2 to 11, 2008. It comprises recommendations for conducting a procurement capacity assessment with a view to designing a procurement capacity development plan for the two sector programmes. The report is based on interviews and discussions with various representatives from key governance institutions (GoB), development partners, the two sector programmes, private sector, non-government organizations and the Royal Embassy of Denmark in Dhaka.

2. Terms of Reference

The primary objective of the mission was to undertake the scoping of the procurement capacity development process for the two sectors. The scoping exercise was to include the aspects covered under “Mobilize and Design” of the UNDP Procurement Capacity Development Framework e.g.

1. Clarify objectives and expectations
2. Identify and engage national and local stakeholders
3. Adapt the default Procurement Capacity Framework to the needs of the two sectors
4. Determine how the process will be conducted.

Expected outputs from the mission were:

- An approx. 10 page mission report including the Terms of Reference for the capacity development process, which identifies the approach (including entry points and core issues), the resources (team/costs) and the timing.
- Before departure from Bangladesh, presentation of a debriefing note as well as an outline of the mission report.

For complete Terms of Reference for the mission, see Annex 1: Terms of Reference Scoping Mission.

3. Mission Activities
The mission conducted 19 interviews with representatives of the Embassy of Denmark, Project Directors and staff of ASPII and WSSPS II, international and national advisors of ASPS II and WSSPS II, key governance institutions of GoB (Central Procurement Technical Unit, the Auditor’s General Office, Economic Relations Division of the Ministry of Finance, Anti-Corruption Commission), Transparency International Bangladesh, Federation of Bangladesh Chambers of Commerce and Industry, Bangladesh Employer’s Federation, Crown Agents and a number of development partners (World Bank, ADB, EU, UNDP, DFID). A list of people met is attached in Annex 2.

In addition, the mission reviewed a number of key documents related to the assignment. A list of these documents is included in Annex 3.

4. Mission Findings

4.1 Danida Context in Bangladesh

The Danish country programme in Bangladesh mainly consists of three sector programs in agriculture, water and sanitation, and human rights and good governance. According to the Bangladesh Country Programme Review, Final report of May 2007, the two sector programmes relevant to the procurement assessment have several components as follows.

The ASPS II as a whole is anchored in the Planning Commission and has three components:

1. The Agricultural Extension Component (AEC) hosted by the Ministry of Agriculture
2. The Regional Fisheries and Livestock Development Component (RFLDC), with two sub-components (for fisheries and livestock, respectively), hosted by two different departments of the Ministry of Fisheries and Livestock

The WSSPS II is anchored in the MLGRDC and features the following components relevant to the procurement assessment:

1. Sector Policy Component (SSC) hosted by the MLGDC
2. The Water Supply and Sanitation Component (WSSC) with two sub-components: The Coastal Belt Project hosted by the Department of Public Health Engineering (DPHE) and the HYSAWA Fund which is established as a publicly owned company
3. The Capacity Building Component (CBC) with three sub-components: the Local Government Institutions Capacity Development Project hosted by the National Institute of Local Government (NILG); the NGO and Civil Society Networking Project hosted by the NGO Forum; and the Knowledge Development and Training Networking Project hosted by the International Training Network Centre (ITN).

As stated in the a.m. Bangladesh Country Programme Review, the conditions for taking the aid effectiveness agenda forward in Bangladesh are difficult. In 2006, the “Bangladesh Harmonization Action Plan” was drafted. Although in principle committed to the agenda, the Government does not in practice take the lead in donor coordination and harmonization, and
development partners themselves used to be configured in two groupings, one comprising the four biggest donors and the other the rest. In August 2008 a Statement of Intent on Developing a Joint Cooperation Strategy for Bangladesh was agreed upon with the PRS-Harmonization Action Plan Cell of the Economic Relations Division of the Ministry of Finance (GoB) and signed by 15 development partners. This agreement is considered a big step forward towards increased ownership and harmonization. The Final Joint Cooperation Strategy is scheduled to be prepared and signed by the end of May, 2010.

According to the Bangladesh Country Programme Review, both harmonization and alignment are hampered by the character and quality of the public sector, which is highly centralized, very bureaucratic, and focused on compliance with rules and on resources spent rather than on results to be achieved. Many civil servants are insufficiently qualified, and they are lowly paid. The quality of PFM is stated to be generally poor, with a low level of accountability. Corruption is widespread.

With reference to the new legal framework for procurement, the Review Team agreed with the Embassy on a concrete way forward at the level of the programmes, i.e. that the Embassy should seek to have more of the procurement done under the Government regulations, accompanying this with relevant safeguards such as procurement audits.

### 4.2 Public Procurement Context in Bangladesh

The World Bank Country Procurement Assessment Report of 2002 identified deficiencies in public sector procurement practices of that time as the most serious issue affecting activities of the entire public sector. Outdated procurement rules and procedures, inadequate capacity to manage public procurement, lack of accountability, and corruption seriously impacted the country’s aid utilization capacity and aid effectiveness. It was estimated that economic losses due to overall corruption were costing the country about 2.5 % in GDP growth each year.

With the assistance of the World Bank, a comprehensive Public Procurement Reform Project was implemented (PPRP, Phase I: 2002 – 2007, USD 4.5 mill.) that successfully addressed key deficiencies in the legal and policy framework. The Government established a procurement policy unit (Central Procurement Technical Unit or CPTU) within the Implementation Monitoring and Evaluation Division (IMED) of the Ministry of Planning. The Government issued the Public Procurement Act 2006 through a Gazette notification in July 2006. It published the Public Procurement Rules 2008 in January 2008, on the basis of which it made the Public Procurement Act 2006 effective from January 31, 2008.

Standard Bidding Documents for goods, works and services were published. Transparency was improved by increased publishing of invitations for bids and contract award information. Accountability was improved by specifying processing and approving entities/authorities with respective time-lines for different types and magnitude of procurement. Review and appeals mechanisms were incorporated in the new legislation. With regard to improved procurement management capacity, a critical mass of 25 national procurement trainers was developed, training courses were provided to more than 1700 public officials and a centralized procurement performance tracking system (MIS) was piloted.
The “Bangladesh Harmonization Action Plan” of 2006 refers to the PPRP I in Chapter 2.5 “Strengthening the Procurement Procedure”. As part of the local Consultative Committee (LCG) activities, the World Bank has been leading the sub-group in procurement.

The Project Appraisal Document (PAD) for the second phase of the Public Procurement Reform Project (PPRP II, USD 23.6 mill., 2007 – 2012) emphasizes that although the landscape of procurement has been reshaped during the course of the last several years and awareness among all stakeholders has been increased, application of the national procurement rules has proven to be relatively inconsistent across government and within individual agencies, and actual implementation of the regulations is slow with less progress in improving tangible outcomes on the ground. Reportedly, in practice there has been significant non-compliance to the rules and regulations in particular delays in contract award, ineffective contract administration, and inappropriate bidding practices favoring collusion. According to the PAD, the achievement of better procurement outcomes is further constrained by crosscutting governance, institutional, and implementation issues including inadequate enforcement of regulations, incidence of fraud and corruption, and political influence.

PPRP II will shift focus to address generic procurement issues in the operational, implementation, and monitoring functions encountered at the sector level, in particular in the infrastructure, power, urban, and water sectors, in order to ensure sustainability of the reform efforts. On the political economy front, a wind of change is noted. The new Caretaker Government that came to power on January 11, 2007, has started to address governance problems. It is acting to minimize the impact of black money and corruption on the political process including procurement, and has reconstituted the Anti-Corruption Commission.

PPRP II is designed to improve performance of the public procurement system progressively in Bangladesh. Four components will address the implementation challenges in target agencies (RHD, LGED, REB, BWDB), with cost estimates as follows:

i. Policy Reform and Capacity Development (USD 8.9 mill.)
ii. Sector and Central Procurement Management (USD 8.4 mill.)
iii. E-GP (USD 4.2 mill.)
iv. Communication, Behavioral Change, and Social Accountability (USD 3.4 mill.)

A number of activities conducted under this project could be of particular interest when designing the procurement capacity development plan for ASPS II and WSSPS II, such as training courses offered, procurement monitoring and in-house guidance, incentive mechanisms, building of social awareness, engagement of beneficiary groups, etc.

4.3 Procurement Portfolio in Danidas Sector Programmes

Procurement statistics covering all procurements carried out under ASPS II and WSSPS II were not readily available during the scoping missing.

Since in the past, major procurement transactions were on request handled by Crown Agents Bangladesh, the mission initiated the compilation of some basic statistics. Based on information received from Crown Agents, in total 407 contracts were concluded between January 2006 and June 2008 amounting to approx. USD 6.2 mill. resulting in an average value per contract of approximately USD 15,000. In more detail:

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<tr>
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<tbody>
<tr>
<td></td>
<td>No.</td>
<td>Value USD</td>
<td>No.</td>
</tr>
<tr>
<td>Printing &amp; Stationery</td>
<td>32</td>
<td>131.655</td>
<td>16</td>
</tr>
<tr>
<td>Training Materials</td>
<td>13</td>
<td>157.457</td>
<td>15</td>
</tr>
<tr>
<td>Works Contract</td>
<td>13</td>
<td>79.079</td>
<td>4</td>
</tr>
<tr>
<td>IT Equipment</td>
<td>41</td>
<td>280.096</td>
<td>27</td>
</tr>
<tr>
<td>Furniture &amp; Office Equipment</td>
<td>26</td>
<td>258.834</td>
<td>41</td>
</tr>
<tr>
<td>Vehicles, Motor cycles, Bicycles</td>
<td>7</td>
<td>145.087</td>
<td>16</td>
</tr>
<tr>
<td>Water &amp; Sanitation Equipment</td>
<td>19</td>
<td>1.774.963</td>
<td>3</td>
</tr>
<tr>
<td>Road Construction Equipment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>2</td>
<td>55.825</td>
<td>5</td>
</tr>
<tr>
<td>TOTAL</td>
<td>179</td>
<td>3.156.350</td>
<td>131</td>
</tr>
</tbody>
</table>

Procurement Forecasts
During the scoping mission, it was not feasible to estimate the total number and value of procurement per category (goods, works, services) for the remaining programme duration.

Based on a sample of procurement plans submitted and according to information received during the interviews, the following programme components/projects are expected to account for the bulk of procurement in Fiscal Year 2008/2009 (July – June):

**ASPS II**

- Rural Road and Market Access Component (RRMAC): Construction works for rural roads approx. 80 mill Tk (equivalent to USD 1.1 mill.)
- Regional Fisheries and Livestock Development, Barisal Component: Mainly goods, approx. 56 mill Tk (equivalent to USD 800.000)
- Ministry of Fisheries and Livestock, Strengthening Institutional Capacity of DoF Project: Mainly services and training, approx. 37 mill. Tk (equivalent to USD 500.000)
- Agricultural Extension Component (AEC): Goods, approx. 26 mill. Tk (equivalent to USD 370.000)

**WSSPS II**

- HYSAWA Fund Company: Contracts with NGO’s (approx. USD 5 mill.), construction works (approx. USD 15 mill.)
Policy Support Unit: Services (approx. USD 3 mill.)

HYSAWA Project: Consultancy services, contracts with NGO’s (approx. USD 1 mill.)

4.4 Perceived Procurement Capacity Assets and Gaps

One purpose of interviewing key stakeholders was to collect sample perceptions on current key capacity assets and gaps. The findings are outlined below following the structure of the OECD Methodology for Assessment of National Procurement Systems and its 4 pillars: (I) Legislative and regulatory framework; (II) Institutional & Management Capacity; (III) Procurement operations and market practices; (IV) Integrity and Transparency.

Pillar I Legislative and regulatory framework

✓ Procurement Law (PPA 2006) and Regulations (PPR 2008) in force since 31.1. 2008
✓ Development of legislation and Standard Tender Documents assisted by Public Procurement Reform Project I (World Bank)

➢ English translation of Procurement Regulations pending
➢ Standard Tender Documents for ICB missing
➢ PPR very complex/complicated
➢ Lack of understanding of procurement law/rules at all levels
➢ Delegation of financial powers highly centralized

Pillar II Institutional & Management Capacity

✓ Central Procurement Technical Unit (CPTU) in place
✓ Public Procurement Reform Project II ongoing (World Bank, 24 mill. USD, 2007 - 2011)
  • Focused on Roads & Highway Dept., Local Government Engineering Dept., Rural Electrification Board, Water Board
  • Comprising policy reform and capacity development (training of 11,000 government officials, 9 mill. USD); strengthening CPTU and sector agencies; development of electronic government procurement system; communication, behavioral change, mindset

➢ No Assessment of National Procurement System (OECD Methodology, although Bangladesh had volunteered to be a pilot country)
➢ Very bureaucratic culture in the public service
Pillar III Procurement operations and market practices

- Private sector included in upcoming PPRP II training program
- Level of procurement competence among government officials not consistent with their procurement responsibilities, no procurement cadre
- Frequent transfer of staff
- Delegation of authority (financial powers) and responsibility create inefficiencies and unclear accountability (many persons/committees involved, decision making highly centralized)
- Slow procurement process: inefficient packaging of total procurement, delays in decision making, frequent re-tendering
- Low salaries, no incentives, lack of leadership

Pillar IV Integrity and Transparency

- Procurement appeals system established (PPA 2008)
- Anti-Corruption Commission reactivated
- Largest Transparency International Chapter worldwide, addressing public procurement issues
- Integrity Building/Awareness programs started
- Independent Judiciary since 2007
- Inefficient checks and balances throughout procurement process
- Procurement audit framework weak
- TI CPI: Ranked 147 out of 180 countries (2008)
- Interference, manipulations, collusive practices, corruption in procurement frankly and broadly addressed in interviews
- Involvement of citizens, Law enforcement weak

4.5 Stakeholder Engagement

Another important objective of the interviews was to start the process of engaging the support of key stakeholders. All meetings were supported by a very open and friendly atmosphere, and provided good opportunities for information sharing. Danida’s policy of gradual alignment with the Government of Bangladesh (GoB) set-up and procedures in terms of programme/project management including procurement was elaborated. The interview partners took the chance to reflect their views on the GoB Public Procurement Act 2006 (PPA 2006) and the Public Procurement Rules 2008 (PPR 2008) and shared their experiences and strategies towards further alignment. Moreover, the mission engaged the stakeholders in an initial screening of ideas on potential areas of cooperation related to procurement capacity development. The outcome can be summarized as follows:

Representatives from the GoB (CPTU, Auditor General’s Office, ERD and ACC) appreciate Danida’s alignment strategy and the intention to strengthen procurement capacity at the sector level.
CPTU as the key government agency for public procurement reform in Bangladesh signaled to support the PCD process, in particular by assuring that training courses offered under PPRP II will be accessible for the two sector programmes and could even be customized according to specific requirements (content, time schedule). The Auditor General’s Office emphasized the importance of IT systems in increasing transparency and efficiency of procurement audits. The Auditor General’s Office would be highly interested in participating in training courses related to procurement audits and expressed its willingness to conduct special audits (pilots) during the procurement capacity development process if requested. ACC highlighted as main areas for corruption in procurement the following issues: definition of demand and technical specifications, quality assurance in tender stage and contract execution, nepotism/favourism throughout the whole process, and long lead times (“the more time it takes, the more scope for corruption”).

In the meetings with Project Directors, Advisers, and TA staff of the two sector programmes, some participants frankly addressed concerns and pointed to negative impacts of Danida’s alignment strategy on project implementation and accountability. It was suggested to develop a transition plan, intensify communication and clarify the (new) roles and responsibilities with respect to programme/project implementation in general and procurement issues in particular. Project Director positions are mostly part-time, the assigned work is usually perceived as “additional work”, with little incentives. Some Project Directors criticize PPA/PPR as complicated, delaying and burdensome; others do not see any problems in applying the new legislation. However, the request for training is unanimous.

Civil society and private sector institutions such as Transparency International Bangladesh and FBCCI appreciate the fact that the new legislation provides for harmonized procurement procedures in Bangladesh. However, it is believed that certain formalities (ex: inefficient approval procedures) lengthen the process and create windows of opportunities for corruption. For example, it seems to be wide-spread practice to award a tender to the (pretended) lowest bidder, although he can not fully deliver all goods requested and then to ask unsuccessful bidders to step in at the lowest price offered creating scope for an array of “underhand deals”. TIB considers transparency and integrity in public procurement as a vital, important area to build up and would be interested to be involved in the PCD process in the two sectors. Potential areas of cooperation could be issues related to conflict of interest, integrity pacts, social accountability, code of conduct for public procurement entities, and the participation of civil society.

Among development partners interviewed, there is a level of understanding that the World Bank should keep its leading role in assisting the GoB to improve the quality and performance of the national procurement system as a whole. The Danida initiative to improve procurement capacities in the agriculture and water & sanitation sector, is very much welcomed and interest in the outcomes and successes is high. The development partners are committed to the principles of the Aid Effectiveness agenda, implementation decisions are however country specific.

The World Bank, ADB and EU have approved the use of country procurement systems for national bidding procedures in Bangladesh up to certain thresholds, additional safeguards apply (ex: further conditions, approval mechanisms, ex-ante and ex-post controls, additional audits). For International Competitive Bidding (ICB), donor rules apply. The EU is looking for concrete areas to further align. For the increased use of the national procurement system, a comparative analysis between national legislation and EU Procurement Regulations would be needed. As mentioned by the World Bank, GoB has applied to be considered in the World Bank pilot “Use of country procurement systems” (one sector).
UNDP and DFID handle most of the procurement themselves or through procurement agents/managing agents. DFID was engaged in a Sector Budget Support Programme (Roads & Highway Department) but terminated it ahead of time after about 50% of the funds had been disbursed because of fiduciary risks and mainly due to the lack of action on audit report findings. DFID will not pass on procurement in the future and perceives a potential for huge delays. UNDP works on the basis of partnership agreements with division of budget lines and procurement often done by UNDP using UNDP procurement guidelines. UNDP takes on an assurance role (“delivery function”) and argues that by efficiently carrying out the procurement function, the Government’s ownership is increased and clear accountability is established.

The following chart illustrates the development partners’ procurement alignment strategy:

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>Future Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>WB</td>
<td>y</td>
<td>y</td>
<td>y</td>
<td>y</td>
<td>GoB applied for WB pilot “Use of country systems”</td>
</tr>
<tr>
<td>ADB</td>
<td>y</td>
<td>y</td>
<td>y</td>
<td>y</td>
<td>Intention, but no specific project</td>
</tr>
<tr>
<td>EU</td>
<td>y</td>
<td>y</td>
<td>y</td>
<td>p</td>
<td>Looking for concrete areas. Comparative analysis needed.</td>
</tr>
<tr>
<td>UNDP</td>
<td>n</td>
<td>y</td>
<td>-</td>
<td>n</td>
<td>Continue with partnership agreements, procurement mostly done by UNDP</td>
</tr>
<tr>
<td>DFID</td>
<td>n</td>
<td>y</td>
<td>-</td>
<td>n</td>
<td>No intention to change (“We took a step back”)</td>
</tr>
</tbody>
</table>

5. Mission Recommendations

5.1 Adapting the UNDP Procurement Capacity Assessment to the needs of the two sectors

The UNDP Capacity Assessment Framework encompasses 3 dimensions: (a) point of entry, (b) core issues, (c) functional capacities. The mission recommends adapting it to the needs of the two sectors as outlined below.

a) Point of entry

UNDP Framework: UNDP recognizes that a country’s capacity resides on different levels – enabling environment, organization and individual – and thus need to be addressed across these levels. A capacity assessment team selects one level as its point of entry, and may “zoom in” or “zoom out” from that level as needed.

Recommendation: For the Procurement Capacity Assessment in Bangladesh, it is advisable to choose the organizational level as point of entry. Based on consultations with senior advisers of ASPS II and WSSPS II, the assessment could focus on 6 – 7 programme components/projects (out of a total of 15). In particular:
ASPS II
• Agricultural Extension Component (AEC) Class A
• Rural Road and Market Access Component (RRMAC) Class A
• Support Unit, Dept. of Livestock (SU DLS) Class B
• Institutional Support Unit MoA (ISU MOA) Class C

WSSPS II
• HYSAWA Fund Company Class A
• NGO and Civil Society Project Class B
• Sector Policy Support Component Class B

b) Core issues
UNDP Framework: Core issues represent the issues upon which UNDP is most often called to address: (1) institutional arrangements; (2) leadership; (3) knowledge; (4) accountability.

Recommendation: The core issues identified during the scoping mission are listed below. The mission recommends assessing the selected programmes/projects along the following lines:

1) Institutional arrangements
   ➢ Processes
   ➢ Tools
   ➢ Code of Conduct, Integrity Pacts
   ➢ Unwritten rules of the game
   ➢ Benefits of compliance/performance, costs of non-compliance

2) Leadership
   ➢ Common goals/Importance of procurement
   ➢ Manage implementation (Organize, Plan, Control)
   ➢ Communication

3) Knowledge
   ➢ Training
   ➢ Knowledge sharing

4) Accountability
   ➢ Culture of accountability
   ➢ Value for money
   ➢ Internal and external scrutiny
   ➢ Open dialogue with civil society institutions and private sector to improve transparency and accountability

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1 Delegation of Financial Powers for Development Projects
A = Projects above Tk 50 Crore; B = above Tk 20 crore, up to Tk 50 crore; C = up to Tk 20 crore
c) Functional and technical capacities
UNDP Framework: In the case of Procurement Capacity Assessments, functional and technical capacities are synonymous with “procurement capacities”.


With this in mind, it can be summarized that the procurement capacity assessment of ASPS II and WSSPS II should have an organizational entry point focusing on 6 – 7 selected programme components/projects and it should be structured around the following functional capacities and core issues:

<table>
<thead>
<tr>
<th>Procurement Capacities</th>
<th>Core Issues according to 5.1 b)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Institutional Arrangements</td>
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<tr>
<td></td>
<td>Leadership</td>
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<tr>
<td></td>
<td>Knowledge</td>
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<td></td>
<td>Accountability</td>
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<tr>
<td>Procurement Planning</td>
<td></td>
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<tr>
<td>Requirement Definition</td>
<td></td>
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<tr>
<td>Requisitioning</td>
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<tr>
<td>Identifying the correct procurement method</td>
<td></td>
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<td>Sourcing</td>
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<tr>
<td>Preparation and Issuance of Solicitation Documents</td>
<td></td>
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<tr>
<td>Receipt and Opening of Offers</td>
<td></td>
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<tr>
<td>Evaluation</td>
<td></td>
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<tr>
<td>Contract Review and Award</td>
<td></td>
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<tr>
<td>Contract Finalization and Issuance</td>
<td></td>
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<tr>
<td>Contract Management</td>
<td></td>
</tr>
<tr>
<td>Asset Disposal</td>
<td></td>
</tr>
<tr>
<td>Payment of Invoices</td>
<td></td>
</tr>
</tbody>
</table>
5.2 Design of the Procurement Capacity Assessment and Development Process

The following steps are suggested:

a) Conduct Procurement Capacity Assessment in 6 - 7 programme components/projects
   • Define desired procurement capacities
   • Understand existing procurement capacity assets
   • Assess procurement capacity level (gaps)
   • Identify root causes for capacity gaps, interpret results

Due to the current lack of comprehensive procurement statistics including compliance and performance data, a qualitative assessment approach should be followed.

Interviews with representatives of the selected 6 – 7 programme components/projects and focus group discussions should be conducted as well as with key stakeholders.

A sample of procurement files should be analysed (strategic sampling, approximately 3 – 5 samples per programme component/project).

b) Design Procurement Capacity Development Plan
   • Define the capacity development response
   • Define progress indicators for the capacity development response (output indicators, outcome indicators, targets)
   • Cost the capacity development response
   • Develop coherent CD plan (priorities, timeframe, lead institution, monitoring)

It is important for all participants to gain ownership of the process and for stakeholders to be engaged appropriately.

In order to ignite confidence in the potential for improvements in procurement capacity, motivation for the necessary changes in behavior, as well as to engage leadership support, it is vitally important to focus on the potential for quick wins as well as on long-term procurement capacity development.

The GoB is implementing a comprehensive Public Procurement Reform Project II assisted by the World Bank. Capacity Development responses developed under this project (for example: Training Courses, Procurement monitoring incl. Key Performance Indicators, e-government procurement, Building social awareness and Engagement of beneficiary groups) should be evaluated with a view to utilizing potential synergy effects.
5. 3 Team composition, duration and estimated costs

Team Composition
Given the scope of this procurement capacity assessment and development process as well as the intention to conduct the assignment within 2 weeks (field mission), a well-structured team will be required to manage and execute the work. The recommended structure and definition of this team is described below:

Sponsor Group
The Sponsor Group will be responsible for senior management oversight, guidance, and decision-making for the assignment. It is presumed that the Counselors for Agriculture and Water & Sanitation at the Royal Danish Embassy in Dhaka will be the members of this Sponsor Group, and in order to increase ownership possibly members of coordinating government units (e.g. PUT, Programmed Steering Committee Agriculture, and Water Supply/Sanitation). The Sponsor Group will advise and guide the Team Leader, and will be informed by the Team Leader regarding the status of the assessment and the design of the capacity development plan.

Team Leader
The Team Leader will be managing and leading the conduct of the assignment (International consultant).

Two Assessment Specialists
The Assessment Specialists will be supporting the Team Leader in conducting the assessment and capacity development assignment (International consultant experienced in the UN capacity assessment and development approach, National consultant experienced in applying PPA/PPR 2008).

Administrative Support
Part-time resource providing administrative support, ex: scheduling interviews/invitations (Administrative Embassy staff).

Resource persons at organizational level
Part-time resources at the programme components/projects level to be assessed (Project Director, Advisor, TA staff responsible for procurement).

Quality assurance
Part-time resource providing overall quality assurance in the assessment and quality of the approach and outputs (UNDP procurement assessment and capacity development adviser).

Duration and estimated costs
It is estimated, that the assessment and the design of a procurement capacity development plan for the two sectors as outlined above could be implemented within a period of 2 weeks (in the field), plus preparation, travel and report writing.
Based on the recommended team composition, the number of days for the assignment and related costs can be roughly calculated as follows:

<table>
<thead>
<tr>
<th>Position</th>
<th>No. of days (preparation, assessment rep. and CD plan)</th>
<th>No. of days (field)</th>
<th>No. of days (travel)</th>
<th>Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sponsor Group</td>
<td>1 - 2 days per member</td>
<td></td>
<td></td>
<td>No fees</td>
</tr>
<tr>
<td>Team Leader</td>
<td>7</td>
<td>12</td>
<td>2</td>
<td>Approx. 250,000 – 300,000 DKK plus per diem/accom., air fares and local transport</td>
</tr>
<tr>
<td>Intern. Consultant</td>
<td>5</td>
<td>12</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>National Consultant</td>
<td>4</td>
<td>12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adm. Support</td>
<td>3</td>
<td></td>
<td></td>
<td>No fees</td>
</tr>
<tr>
<td>Resource Persons</td>
<td>1 – 2 days per person</td>
<td></td>
<td></td>
<td>No fees</td>
</tr>
<tr>
<td>Quality assurance</td>
<td>2</td>
<td>5</td>
<td>2</td>
<td>No fees</td>
</tr>
</tbody>
</table>

### 5.4 Further Recommendations for immediate consideration in Transition Phase

Design and implementation of the procurement capacity development process as outlined above is expected to focus on potential for quick wins. However, the process needs to be considered as a long-term capacity development intervention to be sustainable and it will take some time to achieve the expected outcome.

To avoid bottlenecks, which could potentially affect the successful implementation of the two sector programmes, and could possibly result in unsatisfactory compliance with the national procurement legislation, inefficient procurement or even misprocurement, Danida may want to consider some immediate actions to mitigate risks in the transition phase. In particular:

#### 1. Provide procurement support (Procurement Specialist)

Create a position for a dedicated procurement specialist who could serve as a focal point and coordinator for:

- Interpretation and clarification of PPR 2008 with CPTU
- Help-desk for specifications, tendering, evaluations, award
- Knowledge sharing
- Training organization

During the scoping mission, it was discussed which role CPTU could play in this context. Given the fact that CPTU has been established as a policy unit which should not interfere in individual procurement transactions, and considering that there might be time/resource constraints at CPTU, it
should be considered to establish such a function at programme level or in the Embassy. It should be discussed with CPTU if they could support the process by creating a “Fast Track” for questions arising in the two aligned sector programmes.

If such a position would be established, it could also assist in the preparation and implementation of the procurement capacity assessment and could later take a leading role in coordinating and monitoring the implementation of the future procurement capacity development plan.

2. Keep the Crown Agent option open at least until the assessment has been completed

In the first two quarters of 2008, Crown Agents was reportedly still handling 97 procurement cases. As indicated during the scoping mission, the amount of cases handed over to Crown Agents has substantially declined since then. Given the complaints regarding current delays in procurement and considering the urgent need for training as articulated by Advisers, Project Directors and TA staff, it may be considered to synchronize the phasing out of the Crown Agent contract with the PCD process, i.e. to keep this option open “as a last resort”.

3. Make immediate use of training offered by CPTU

CPTU has piloted its 3-weeks training course for procurement practitioners in November and has announced to publish its comprehensive training programme on its website by the end of November with courses starting in January 2009. According to the World Bank, participation in the training will be mandatory for the four PPRP II target agencies and should therefore include Danidas projects hosted by LGED anyway.

It is recommended to follow-up on this issue with CPTU. It should be clarified if the training courses offered satisfy the needs of the two sector programmes, if they could be customized if deemed necessary and when the training could take place.

4. Continue policy dialogue with development partners

The Danish Embassy has been very active in intensifying donor coordination (Local Consultative Groups, Statement of Intent on Developing a Joint Cooperation Strategy for Bangladesh). The mission recommends to institutionalize the dialogue on public procurement in Bangladesh among the donors and with the GoB in order to ensure

- Official English translation of PPR 2008 (on short notice)
- Assessment of the National Procurement System using WB/OECD-DAC Methodology
- Understanding of the importance of Public Sector Reform for efficient public procurement.