Public procurement system and e-Government implementation in Bangladesh: The role of public administration

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Since the adoption of privatization as an economic policy reform in 1976, public procurement by contractual means in Bangladesh has been increasing day by day. Objective of this paper is to discuss the e-Government Procurement implementation and recommends measures to be adopted in public procurement system in Bangladesh. Study methodology included bibliometric analysis, literature and archival document review and key informant interviews. The World Banks evaluation of Bangladesh concluded that the implementation of procurement process is far from satisfactory. Implementation of e-Government Procurement will supplement the present government’s vision for building a Digital Bangladesh by 2021. The idea of a virtual bidding process could save more than 15% of the government's procurement costs, according to a World Bank study and it becomes easier to eradicate corruptions from the country. As the country marching forward for “Digital Bangladesh”, introducing the system of submitting the tender over internet (like other developing and developed countries) is a very positive step.

Key words: Tender, procurement, e-government, transparency and accountability.

INTRODUCTION

Public procurement has grown substantially in recent decades. Government procurement represents 18.42% of the world gross domestic product (GDP) (Auriol, 2006; Singer et.al., 2009) and about 10% of Korea’s GDP. This public procurement is an influential factor in the national economy and an important function of government (Mi Jung, 2010). The Korea e-procurement system is recognized as a successful example of substantially enhancing procurement process efficiency by making it transparent and professional and it is recognized in the 2005 UN reports for the best practices of e-government (Albano and Dae, 2010).

The last decade has observed extensive use of information and communication technology (ICT) in the governments’ administrative and decision processes in their widest sense. Within the scope of governments' activities, a major role is played by procurement processes so it comes as no surprise that ICT solutions to public procurement, the so called e-procurement, is constantly in media’s headlines as well as stimulates an intense debate among scholars, policy makers and practitioners (Albano and Dae, 2010).

A possible benefit of an internet-based system is that it assists a Business Process Reengineering (BPR) of the procurement activities. Since Activity-Based Costing (ABC) allocates the organization's resources to activities, it is a natural tool for assessing the expected savings due to BPR and in particular due to e-commerce (Tatsiopoulos et al., 2002). For instance, Brun et al. (2007) identify five phases in the procurement process: Order request, Order acceptance, Order emission, Order receipt and Invoices fulfill. For each phase, they define a set of activities and

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estimate how the activities’ performance indicators will change, including cost (Marcos, 2009).

Given the strategic role of procurement processes for effectively using public resources as well as for spurring competition in markets, e-procurement is being considered a far-reaching tool for innovative policies in both developed and developing countries. The complexity and relevance of e-procurement are likely to generate different problems, depending of different institutional settings. While causal observation narrates that the state of the art of e-procurement solutions varies from country to country, scholars seem to be little deception by such phenomenon (Albano and Dae, 2010).

In theory, e-procurement reduces administrative costs and, bureaucracy by helping the State avoids repeating tasks such as registration and certification of contractors, allowing for additional effective control mechanisms and reducing paperwork (Marcos, 2009). In an exploratory study, Carter et al. (2004) revealed that electronic reverse auctions (e-RAs) escalate productivity and decrease cycle times for buyers, predominantly in the case of repeated auctions.

A study on e-procurement systems in Korea, USA, Australia and New Zealand conducted by Albano and Dae (2010) revealed that while the USA, Australia and New Zealand make use of e-procurement solutions to pursue best value for money in awarding public contracts, Korea seems to put more importance on e-procurement as a way to improve transparency and reduce transaction cost.

Many countries have created specialized agencies in order to develop and manage business-to-government (B2G) electronic procurement (e-procurement) systems. They have done so to achieve the following objectives: 1) Promote the use of internet across different industries; 2) Give signs of transparency, as the transactions between contractors and State agencies become public; 3) Reduce administrative cost by improving the procurement process; and 4) Reduce purchasing prices, due to a more efficient operation and to a larger number of potential contractors (Singer and Marcos, 2009).

E-procurement systems can be used helping purchasing goods and services most reasonably (Mi Jung Lee, 2010). E-procurement is the online purchasing of goods and services through electronic channels (Parida and Parida, 2005). More, specifically, it is the use of electronic means for publishing, processing, exchanging, and storing all of the information related to institutional purchases in public organization (Asser and Boughzala, 2008). Public e-procurement is an important stage in e-government development and its economic stakes are considerable. Thus public procurement systems must consult dualistic systems for two customers - government and companies (Mi Jung, 2010).

The World Bank group (WB)

The World Bank group (WB) is transforming its former, highly manual process of selecting consulting services into a robust e-procurement solution as part of its procurement simplification and modernization agenda. The World Bank engages consultants and service providers for technical or managerial advisory services in all sectors from socioeconomic and environmental projects to reforms of state and financial sectors, privatization, information technology and infrastructure. To that end, the World Bank needs to manage the selection of providers and the resulting contracts with thousands of businesses throughout the world. To ease this process and improve efficiency, the World Bank has implemented a new electronic procurement solution for the selection of consultants, with the goals of fostering consistency of practice worldwide, increasing transparency and competition, and minimizing processing time and effort (Leipold, 2004). The World Bank definition of e-Procurement is broad in that it accommodates the use of information and communication technology (especially the internet) by governments in conducting their procurement relationships with suppliers for the acquisition of goods, works, and consultancy services required by the public sector (World Bank, 2003).

$6.1B STRATEGY LAUNCHED FOR BANGLADESH

The World Bank (WB) will boost its efforts in Bangladesh with stricter monitoring of the $6.1 billion in low-interest loans under its new four-year strategy. The multilateral development bank will focus more on its demand for good governance and reduced corruption, which it says is eating up valuable money here (Daily Star, 2011a).

BANGLADESH

Since the adoption of privatization as an economic policy reform in 1976, public procurement by contractual means in Bangladesh has been increasing day by day. Public procurement in Bangladesh embraces government’s activities of purchasing, hiring or obtaining of goods, works or services by any contractual means. Various government agencies or procurement entities, especially the ministries, divisions, departments/directorates and other autonomous/semi-autonomous bodies or corporations in Bangladesh often acquire/purchase goods, services or works by contractual means. Although restricted tendering method or direct procurement method can be used for some specific reasons, procure-ment and contracts in Bangladesh often take place through open competitive biddings (Islam, 2007). Corruption and poor governance are impeding Bangladesh’s efforts to reduce its massive poverty by reducing economic growth and lowering the achievement of social objectives. They destroy citizens’ faith in their government. They deter the foreign and domestic investment, which Bangladesh needs so badly. And they undermine the ability of
Bangladesh’s development partners to sustain their support for the country. Economic growth is essential to reduce poverty; however, corruption slows economic growth (Transparency, 2009).

An amendment to a law is designed to remove the lacunae of existing law and find the way to implement the provision more effectively. But unfortunately the recent amendment introduced to the public procurement rule (PPR) would perhaps put a damper on a vital front of governance. Corruption, terrorism and mismanagement in the public purchase are the common scenario for the last decades. Mishandling of public procurement in absence of a uniform law contributed largely to the situation. Reforms in the public sector finance were initiated during the previous regime of AL government. Later on the law was passed in 2006. But public procurement act (PPA) and PPR were made effective during the caretaker government in 2008. It has been modernized and brought to international standard through the enactment of successive law and rules (Daily Star, 2010).

**METHODOLOGY**

Information was retrieved from documents available mainly in electronic database and on the websites of specialized agencies, using the terms public procurement and corruption with other researchers work was undertaken, including 4 leading Bangladesh daily newspapers also analyzed. 24 documents retrieved from the database (websites) of several national and international agencies were browsed, the most important being online collection from journal of public procurement. These sites housed a number of reports on quantitative and qualitative studies, estimates of public procurement cases, policy analysis of the existing public procurement and e-government situation in Bangladesh and government strategies. Histological observations were carried out and a cross-sectional prevalence study of public procurement and corruption was also held. A scrutiny of the abstract revealed that some presentation posted on the websites, which was presented in international conferences and few other presentations were published in journals. Collected documents were skim read to cases, whether they contained information on Public Procurement in conjunction with e-government.

**Public Procurement skills in Bangladesh**

In Bangladesh contract awards provide opportunities for procurement. There are reports of extensive corruption, political influence and pressure from trade unions in the procurement process. Public trust in the process is generally lacking. Donors are particularly sensitive about corruption in foreign funded contracts. The World Bank’s assessment of Bangladesh concluded that the implementation of procurement process is far from satisfactory, due to the following problems:

1. Poor advertisement,
2. A short bidding period,
3. Poor specifications,
4. Nondisclosure of selection criteria,
5. Award of contract by lottery,
6. One-sided contract documents,
7. Negotiation with all bidders,
8. Re-bidding without adequate grounds,
9. Other miscellaneous irregularities, and

Bangladesh is particularly known for long delays in the award of contracts. Implementation Monitoring Evaluation Division IMED compiled data on the elapsed number of days from bid invitation to award in 148 procurement cases in FY98. The normal time allowed is 150 days. The review showed that the awards were made in 240 days or less in only 29% of the contracts; another 28% were awarded within a year, and the rest took 500 days or more. Procurement delays increase costs, defer benefits, deter good firms from bidding and are often indicative of corrupt interference (Transparency, 2009).

**CALL TO INTRODUCE E-PROCUREMENT TO ELIMINATE CORRUPTION IN BANGLADESH**

In Bangladesh civil society leaders called for introducing e-procurement system in public tenders to eliminate corruption and collusive bidding practices to ensure transparency. They also advised developing a code of ethics for lawmakers to ensure the latter's accountability to people and making the parliament active.

Repeating the demand for mandatory asset disclosure of members of parliament (MPs) and civil service professionals, they suggested introducing e-governance in government agencies, a professional press fostering public policy debate and exposing any abuses of public officials and a decentralized local government system. Electronic government procurement (e-GP) shows a way out of the age-old intervention in bidding processes by cartels with political leanings. According to a study by the World Bank, Bangladesh's annual public procurement expenditure is over $3 billion (Tk 20,512 crore). Such figures can obviously attract politically biased interest groups to loot tender boxes by any means, as development expenditure is expected to grow in coming years. In Bangladesh, more than 80% of the annual development expenditure is spent mainly on government procurement.

E-GP, one of the government projects, matches the government's pledge to build a Digital Bangladesh by 2021. The system, if implemented, can save public
money and erase political influence from bidding. The idea of a virtual bidding process could also save more than 15% of the government’s procurement costs, according to a World Bank study.

E-GP would also connect the government body and the national and international contractors on an online platform, which automates the entire government’s procurement process by introducing centralized registration of contractors, e-tendering, e-contract management system, e-payments, e-signature and e-security.

The main intention of Central Procurement Technical Unit (CPTU) is to gradually introduce e-GP in the government’s procurement system and to ensure all stakeholders comply with the Public Procurement Act-2006 and the Public Rules-2008.

One of the major reasons of scuffle during government tendering process is bidders are not aware of the Public Procurement Act, 2006 and the Public Rules, 2008. In this case, online bidding can also be platform for study of the procurement policies. To introduce e-GP, the CPTU has already started training government officials to handle the tender processes (Daily Star, 2009b).

E-GOVERNMENT PROCUREMENT (E-GP) SYSTEM IN BANGLADESH

National e-Government Procurement (e-GP) portal (i.e. http://eprocure.gov.bd) of the Government of the People’s Republic of Bangladesh is developed, owned and being operated by the Central Procurement Technical Unit (CPTU), Implementation Monitoring Evaluation (IME) Division of Ministry of Planning. The e-GP system provides an on-line platform to carry out the procurement activities by the Public Agencies - Procuring Agencies (PAs) and Procuring Entities (PEs).

The e-GP system provides an on-line platform to carry out procurement activities by the public agencies - Procuring Agencies (PAs) and Procuring Entities (PEs). The e-GP system is a single web portal from where and through which PAs and PEs will be able to perform their procurement related activities using a dedicated secured web based dashboard. The e-GP system is hosted in e-GP Data Center at CPTU, and the e-GP web portal is accessible by the PAs and PEs through internet for their use.

E-GP System encompasses the total procurement lifecycle and records the all procurement activities. The purpose of this system is to maintain complete and up-to-date Public Procurement System activities of all public agencies as well as provide tender opportunities to all potential tenderers from Bangladesh and abroad.

The vision of the e-GP is to enhance the efficiency and transparency in public procurement through the implementation of a comprehensive e-GP solution to be used by all government organizations in the country.

The e-Government Procurement solution introduced under the Public Procurement Reform (PPR) Process is being supported by the World Bank and being used by all the government organizations, which will help in ensuring equal access to the Bidders/Tenderers, efficiency, transparency and accountability in the public procurement process in the country.

The entire public procurement activity undertaken by the government shall be channeled through the e-GP infrastructure and implemented in a phased manner. Efficiency in handling public procurement by the government organizations shall be enhanced through automation and process reengineering. The system shall enable the government to maintain a clear picture of its procurement activities on a real-time basis. By engaging in e-GP, the government catalyzes the supplier community to participate in e-business (CPTU, 2011).

E-GP system access diagram is illustrated in Figure 1.

ROLE OF THE CENTRAL PROCUREMENT TECHNICAL UNIT (CPTU)

The government has sought opinions from all ministries to finalize e-government procurement (e-GP) system, which is expected to minimize traditional meddling in bidding processes by muscleman.

The countrywide major development projects are conducted by different agencies starting from the Prime Minister’s Office to local government entities. The CPTU is responsible for monitoring and implementing the law and rules in public procurement. The entity thinks that if the government goes for an online bidding process, no one can exert muscle power.

E-Government procurement (e-GP) is the collaborative use of Information and Communications Technology (especially the Internet) by government agencies and other actors of procurement community in conducting all activities of Government Procurement Process Cycle (GPPC) for the acquisition of goods, works, and consultancy services with enhanced efficiency in procurement management. It would also connect the government body and the national and international contractors on an online platform, which automates the entire government’s procurement process by introducing centralized registration of contractors, e-tendering, e-contract management system, e-payment, e-signature and e-security.

In around 50 countries, e-GP has been proved as an effective tool in the fight against corruption, promotion of integration and stimulation of greater productivity not only at government level but also in small and medium enterprises. The main intention of CPTU is to gradually introduce e-GP in the government’s procurement system and ensure that all stakeholders comply with the Public Procurement Act, 2006 and the Public Rules, 2008 (Daily Star, 2011b).

For the moment, the CPTU has completed all preparations to put the e-GP system in place. Training
and demonstration has been going on through e-GP staging server (www.staging.eprocure.gov.bd). The World Bank has extended financial support to the Public Procurement Reform Project-II under which the government has been carrying out different reform activities to streamline the sector (Daily Star, 2011c).

![Diagram of E-GP system access](image)

**Figure 1.** E-GP system access diagram.

**E-TENDERING**  **ACCELERATE**  **PUBLIC**  **PROCUREMENT**

The e-tendering process, introduced to expedite public procurement, registered a total of 182 bidders and 27 procuring entities till August 23, 2011, with the electronic government procurement (e-GP) system. There are bidders and consultants of various ministries, departments, divisions and agencies awaiting registration into the system, capable of registering 300,000 bidders, said Central Procurement Technical Unit (CPTU).

It aims to save time and cost, bring transparency and eradicate corruption in the process of procuring goods, works and services by government agencies. With increasing number of applicants for registration, CPTU is setting up an e-GP training lab to provide an orientation to the bidders.

Bangladesh will be one of the leading countries in South Asia in completing a centralized system of electronic procurement with good backup facilities, some states of India introduced e-GP, while South Korea took seven years to implement the system.

If the entire spectrum of procurement is done under e-GP system, the tender processing cost would reduce by 15 to 20 percent, adding that communication and hassles in dropping tender will also reduce office of CPTU mentioned. On the other hand, procurement entities will evaluate the tender quickly as they need not do any paperwork manually. CPTU already signed a memorandum of understanding with seven banks Agrani, Janata, Sonali, Pubali, United Commercial Bank, National Bank and Bangladesh Krishi Bank-- to facilitate payments for the tenders. More private banks contacted CPTU to join the process. About 300 branches of the seven banks registered with the e-GP system and are being given training. The e-GP would totally prevent the tender manipulator's influence in dropping tender and increase competition in the bidding process (Daily Star, 2001d). Banks agreed that after signing the MoU they would request their branches to receive e-payment through the e-GP dashboard (Daily Star, 2011e).

**A STEP FORWARD IN E-BIDDING**

An electronic payment system is a major breakthrough in the government bidding system, freeing the process of corruption and hassles (Daily Star, 2011e). The CPTU is implementing the Public Procurement Reform Project -2 (PPRP-II) having four components such as capacity...
building, strengthening procurement management at the sectoral level, introducing e-GP, and communication, behavioral change, and social accountability.

The government has already introduced e-purchase of railway ticket and e-posting of money order and admission of some public universities is now done by mobile phone. Besides, services of a good number of public entities have been automated, while elaborating some of the initiatives of the present government undertaken so far. Scheduled banks were allowed to start electronic transactions from November 2010, which will pave the way for e-commerce in the country, adding ICT Act 2009 and ICT Policy 2009 have been approved for facilitating these efforts.

For ensuring wider access to government information and free flow of information, the Right to Information Act (RTI) has been enacted and a special project titled Access to Information (A2I) has been in implementation under the Prime Minister’s Office (PMO). The government is pledge-bound to ensure transparency and efficiency in government spending and e-GP is a step forward in that direction. (New Nation, 2011).

GUIDELINES FOR E-PROCUREMENT APPROVED

The cabinet approved recently the electronic government procurement (e-GP) guidelines to demonstrate the government’s commitment to achieving openness and accountability in procurement. The bidders are required to get registered with the CPTU of the planning ministry to take part in the bidding under the new system. A CPTU official said authorities would invite the bidders formally through newspaper notices in next three to four days. The bidders can register themselves online. The bidders will have to pay a fee of Tk 5,000 at the time of first registration. The registration will have to be renewed every year by paying a fee of Tk 2,000. The official said the media personnel will be able to get registered for free to check up on transparency of the process and will have to submit their national ID cards and office ID cards electronically to sign up.

However, the media personnel will not have access to all procurement related documents such as evaluation report. The media personnel would have to ask for those documents separately under the Right to Information Act. CPTU reserves the right to take the payment service of banks, payment service providers, mobile networks, and other reliable and authorized online service providers through memorandum of understanding (MoU) with agreements for the e-GP online payment network, according to the guidelines (Daily Star, 2011f).

E-PROCUREMENT INAUGURATED

Prime Minister Sheikh Hasina categorically said the government is committed to ensure the standard of public procurement as public money is used for such procurement. “Around 75 percent money of the annual development program is used for public procurement. People of the country are the source of all these money. The government is accountable to the people for ensuring standard of the procured goods and service and usage of the public money,” she said.

Initially, the e-tendering is going to be introduced in four procuring target agencies under the PPRP-II. These target agencies are: Local Government Engineering Department, Roads and Highways, Bangladesh Water Development Board and Rural Electrification Board. It would be expanded to 16 procurement entities (PEs) of the four agencies and CPTU. Later a total of 308 PEs of the four agencies will come under the system.

The prime minister said the activities of the government have been made transparent and accountability has been established through the usage of the ICT. “We have enacted a law to ensure the rights to the information of the people,” she said. She further mentioned that when information is open the scope for corruption gets reduced and it becomes easier to eradicate corruption, which is one of the prime targets of the government and the practices of tender-grabbing and tender-manipulation would be stopped forever by this new system (Daily Star, 2011f).

CONCLUSION

Right step at right time

Introduction of electronic procurement in the country, though on a limited scale, is a very welcome step. Prime Minister Sheikh Hasina, who has been acclaimed for her vision for a Digital Bangladesh, opened the national Electronic Government Procurement (e-GP) on June 2, 2011. Pursuant to Section 65 of the Public Procurement Act, 2006 the government has already approved the e-GP guidelines. As per approved guidelines, e-GP system is being introduced in two phases. The e-GP is being introduced in line with the government vision for building a Digital Bangladesh and turns it into a middle income country by 2021.

The aim of building digital Bangladesh is not to create a digital divide. Rather, the government wants to provide services to both the urban and rural people by the means of ICT for improving their quality of life. The e-GP has been operational in some states of India, South Korea, China and some other countries in Asia and America. Their experiences show that the use of e-GP in public procurement reduces costs and time. Moreover, the system is safe and secure.

In Bangladesh, it can be a very effective tool to ensure transparency and accountability in the process of public procurement because the acts and rules have to be
followed by default in e-GP. The CPTU has launched online monitoring of the procurement performance through the Procurement Management Information System (PROMIS). So, any violation in the process will automatically be detected from the data provided by the PEs to the PROMIS.

In the e-GP the bidders need not be physically present to submit their tenders to the PEs. They can submit tenders online from home. This will widen the opportunity for competition. It is factual that the integration of the entire procurement cycle, including the PROMIS, into e-GP will take time. There are some infrastructural problems, like low internet connectivity and shortage of power. The power situation has been a big challenge, but the government has to overcome it to materialize its promise to the people to build a Digital Bangladesh by 2021 (Daily Star, 2011c).

The government should expedite its efforts to introduce ICT in the delivery of services and bridge demand-supply gap wherever it exists. E-tendering in the award of contacts and licenses, e-procurement and e-governance would go a long way in countering corruption (Daily Star, 2011g). In around 50 countries, e-GP has been proved as an effective tool in the fight against corruption, the promotion of integration and the stimulation of greater productivity not only at government level, but also in small and medium enterprises (Daily Star, 2011b).

As we are marching forward for “Digital Bangladesh by 2021”, it is certainly a very positive step to introduce the system of submitting the tenderer over internet (like other developing and developed countries) and to ensure transparency and accountability, equal opportunity and fair competition, which will eventually benefit all actors in the conduct of public procurement and raise the quality of life of the people through creation of employment and overall improvement of the infrastructure.

NOTES

There are a number of sources for current information on the crisis. See the Public Procurement Rules 2008, Central Procurement Technical Unit Implementation Monitoring and Evaluation Division, Ministry of Planning, Bangladesh Country Procurement Assessment Report, published by the World Bank, May 2003.

REFERENCES


