

**Mr. Lawrance,**

This is with reference to your e-mail of 28<sup>th</sup> January, 2008 on JV Procurement: Update on Indicator 2B – Monitoring Paris Declaration and wish to report as follows:

Malawi carried out an assessment of its national procurement system using Version 4 of the OECD-DAC methodology on assessing national procurement systems. The objectives of the assessment were to:

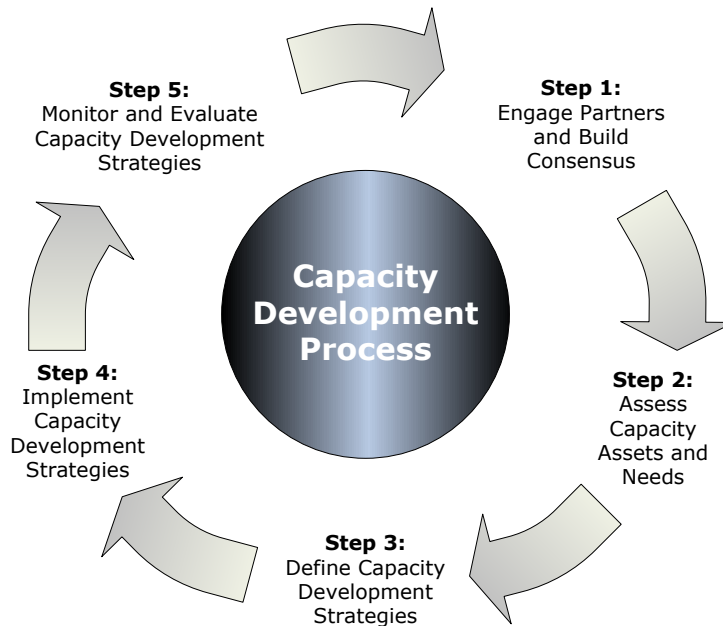
- Measure progress since earlier diagnostic exercises, in particular the Country Procurement Assessment Report (CPAR) of 2004.
- Review existing procurement capacity, including the legal framework and structures in place, the compliance and performance levels of the system.
- Serve as a baseline against which to measure future progress.

The findings of the assessments exercise are based on the data collection and aggregation made during and following the assessment team's mission to Malawi in August 2007. The assessment team was comprised of ODPP staff, namely, Mr. Joseph Mhango, Deputy Director, Mr. Dan Mwabumba, Principal Monitoring Officer, and Ms. Miriam Kachingwe, Project Implementation Coordinator; UNDP officers Mrs. Kirsten Ejlskov Jensen and Ms. Leda Giuffrida; and consultants Mrs. Mette Søs Lassesen and Ms. Marie Louise Refsgaard from Ramboll Management (DK).

Based on findings of the survey, a detailed short-term and medium-term Capacity Development and System Strengthening Plan for procurement was drafted. The final report of the assessment exercise is with the print and is expected to be officially launched at a high level forum once the necessary government approval has been sought. The full results of the assessment will be posted on the OECD-DAC website as soon as the approval has been granted.

## **B. Procurement Capacity Assessment Design**

This Procurement Capacity Assessment has been designed around the UNDP approach to capacity development illustrated below.



As illustrated in the figure above, the UNDP capacity development process consists of five core steps, each containing a number of activities. The main focus of the assessment was mainly on the first three steps, which have been covered by the work of the assessment team.

The assessment of procurement capacity assets and needs (step 2) has been carried out using the OECD-DAC Methodology for Assessment of National Procurement Systems, which complements the UNDP approach to Procurement Capacity Assessment by offering a detailed and operational assessment framework under four pillars:

- Legislative and regulatory framework (pillar 1)
- Institutional framework and management capacity (pillar 2)
- Procurement operations and market practices (pillar 3)
- Integrity and transparency of the procurement system (pillar 4)

The four pillars are sub-divided into 12 indicators and a total of 54 sub-indicators. Each sub-indicator moreover consists of a double set of indicators:

- Baseline indicators (BLIs): Measures the quality of the legal system, formal arrangements and structures in place in a given area. The

- assessment result for each indicator is scored between 0 and 3 from lowest to highest score.
- Compliance and Performance Indicators (CPIs): Measures the level of compliance and performance in practice achieved in the area. The OECD-DAC methodology suggests that the assessment result for each CPI indicator is summarised in a brief narrative report. However, for reasons elaborated below, the assessment team decided to also summarise the results in a score between 0 and 3.

To facilitate the subsequent use of the OECD-DAC assessment results in the broader capacity development process, the diagnostic approach of the OECD-DAC framework was broadened to include an explanatory dimension. In this way, the focus of the data collection was not only on “which” systems are in place and “how” these work in practice, but also on “why” this is so, hereby providing an important starting point when defining actual capacity development strategies later, in the capacity development process.

As a result of the explanatory focus, a qualitative data collection approach had been selected in contrast to the quantitative approach recommended by the OECD-DAC framework. In relation to this, the assessment team developed a number of qualitative CPI indicators. Furthermore, to be able to illustrate the gap between BLIs and CPIs and allow for future benchmarking, a scoring system similar to the BLI scoring system has been adopted for CPI indicators, based on the scoring system already used by ODPP in their work on monitoring compliance at procuring entity level.

The next sections describe some key methodological considerations associated with the various steps of the Procurement Capacity Assessment.

### **C. Stakeholder involvement in the assessment**

The assessment has been conducted based on information derived from a wide range of stakeholders to Malawi’s public procurement system. The stakeholders may broadly be categorised as follows:

- ODPP
- Procuring entities
- Public institutions linking to the procurement system

- Private sector associations
- Training institutions
- NGOs
- Donors

The stakeholders included in the PCA were selected based on the criterion of relevance. In this way, the PCA sought to cover all major stakeholders working directly with the public procurement system or linking to it, e.g. institutions working in the field of public financial management, audit and corruption prevention.

The procuring entities selected to participate in the assessment were chosen based on the volume of their procurements, hereby giving priority to the major spenders in the system. While this sampling strategy does not provide for generalisation across all procuring entities, it guarantees that light is shed on those issues in the procurement system likely to have the largest financial impact on public expenditure.

Previous studies have pointed to the distinctive issues associated with procuring entities at local government level. As a result, the assessment team decided to include a small sample of district and city assemblies in the study, in order to be able to address the peculiar issues characterising these institutions in the procurement capacity development strategy. For similar reasons, the Central Government Stores were included in the sample.

#### **D. Data collection and analysis**

The assessment was primarily based on qualitative interviews with the stakeholders described above.

In addition to the interviews carried out, a number of written sources were consulted. These included:

- Previous studies in relevant areas
- Legal, policy and strategy documents
- Documentation derived from ODPP's monitoring activities
- Available statistics

Prior to the actual data collection, a data collection strategy was developed by the assessment team. All data sources to be consulted (stakeholders as well as written sources) were identified in advance for each indicator. The full list of data sources to be consulted for each indicator served as a checklist throughout data collection and analysis exercise, ensuring that all stakeholders interviewed, and all available data was incorporated in the analysis and report.

Based on the agreed data collection strategy, an interview guide for procuring entities was developed covering all the areas deemed relevant according to the data collection strategy. Similarly, the data collection strategy was used as a reference document during interviews with the other stakeholders interviewed. During the indicator-by-indicator data analysis, the data collection strategy document was used as a checklist, hereby guaranteeing that the data collected from the various sources did in fact feed into the final analysis and formed the basis for the final scoring.

#### **E. Data Validation and Reporting**

Prior to the finalisation of the Procurement Capacity Assessment report, the draft results of the assessment were reviewed by all stakeholders involved in the assessment.

The objective of this stakeholder validation was to provide all stakeholders an opportunity to review and comment on the results before the final report could be prepared, thus receiving valuable input and additional information to the assessment, confirming the already established findings, and correcting errors or misunderstandings which might have emerged during data collection and analysis. Moreover, stakeholder involvement at the validation stage is important to ensure buy-in and commitment to the procurement capacity development agenda, thus assisting in building a consensus for change.

The stakeholder validation was conducted at a one-day validation workshop during which all stakeholders were invited to review and discuss the findings of the assessment. Prior to the workshop, the draft Procurement Capacity Assessment report was disseminated to all stakeholders for prior review.

The inputs provided by the stakeholders during the validation will feed into the final report as well as the Capacity Development and System Strengthening Plan drafted based on the assessment findings.

#### **F. Country Baseline Rating for Indicator 2b as Reference for Measuring Future Progress.**

Raw Score from the survey = 100

Converting the raw score into a percentage =  $100/162 = 62\%$

Determining the Appropriate Level = C

**Therefore the result level which is the required input for indicator 2b is C. This is a baseline scenario since the assessment is the first one to be done.**

#### **G. Country Analysis of the Current Situation and Key Issues Influencing the Quality of Procurement.**

Malawi has had a centralised procurement system for a long time which was characterised by the presence of the Central Tender Board, (CTB) that used to be responsible for all procurement above a prescribed threshold for Government Ministries and Departments.

The Central Government Stores (CGS) used to procure commonly used items for Government Ministries and Departments. Statutory Corporations used to carry out their own procurement without much control from the Government.

#### **Problems with the System**

- Delays in procurement;
- Disconnection between user and buyer;
- Little investment in training, low capacity in the procuring entities;
- Lack of procurement specialists outside the central units; and
- Delays in payment to suppliers/contractors.

In search for lasting solutions to the problem, the Malawi Government engaged Consultants in 1996 to undertake a diagnostic study of procurement and supply management procedures and practices and pinpoint accurately the problem areas.

At about the same time, there was also a realisation of the importance of procurement in financial management and a wind of change was blowing in the region about the need to reform public procurement

## **H. Problems Identified During the Survey**

- Lack of a comprehensive legal framework;
- Outdated regulations not reflecting current practice and not adapted to the budgeting system;
- Inadequate procurement procedures;
- Differing relationships between and among the different organizations involved in procurement; and
- Lack of a central authority with the responsibility of promulgating framework policies and promoting harmonization.

As a result, the procurement of goods, works and consultancy services in the public sector lacked adequate transparency and accountability.

## **I. Study Recommendations**

- Establishment of appropriate legal and institutional framework for public sector procurement system; and
- Setting up of a central procurement authority with a defined role of regulating, monitoring and overseeing the procurement function, promoting and supervising standardization and harmonization of procurement documents and rules, coordinating training programmes and disseminating information on procurement.

## **J. Establishment of ODPP**

An acceptable system of Government procurement must create a legal framework that has the objective of achieving open, non-discriminatory and competitive procurement through the promotion of a transparent, objective and accountable procurement system. Such a public procurement system, at a minimum, must embody the fundamental principles of integrity, honesty and merit-based decision-making.

The publication of the Public Procurement Act and its implementation are considered an important part in the fight against fraud and corruption in this country, hence in 2004, following the enactment of the Act in 2003, the ODPP was created.

It is extremely important to sustain the confidence so far achieved by vigorously implementing the provisions of the Public Procurement Act, its Regulations and the Desk Instructions, which have all been issued to procuring entities for their use.

At the same time, it is important for the ODPP to ensure that procuring entities undertake procurement according to the spirit and letter of the Act and this can only be done through regular monitoring of these procuring entities

It is important to note that the Director is mandated to monitor and regulate public procurement in Malawi. He has an oversight responsibility. The actual procurement is left to procuring entities. The Director prescribes regulatory mechanisms including thresholds for proc. entities as per provisions of the Act & Regulations.

In order to attain its mandate, the Directorate has three technical departments:

- Monitoring and Enforcement
- Regulatory and Review
- Professional Development



## **K. Key Challenges**

### **Shortage of Qualified Personnel**

Public procurement framework is a new and technical area. As a profession that is presently being promoted in the country, it does not have the numbers to adequately meet the demands of various institutions both at ODPP as a regulator and in the PEs. As such, there is need for continuous training and exposure in the region and overseas to learn how other countries are handling procurement reforms and capacity problems. The long and short term training programmes ODPP has initiated are also aimed at addressing this problem. A number of private CIPS accredited/affiliated institutions have also come in to support the initiative.

### **Lack of Adequate Financial Resources**

Limited financial capacity is another serious problem that may derail the smooth transition of reforming the procurement system in the country. With further injection of donor support and additional budgetary allocation, the reforms can take the anticipated good direction in view of ODPP's commitment.

I hope you will find the above report in order. Should there be anything that is not clear or not covered, do not hesitate to contact me.

Yours sincerely,

**B.S.M. MANGULAMA**  
**DIRECTOR**  
**OFFICE OF PUBLIC PROCUREMENT**