

PROCUREMENT CAPACITY ASSESSMENT AND STRATEGY FORMULATION IN MALAWI

A Case Study

INTRODUCTION

Increasing the effectiveness, efficiency and transparency of public procurement systems is an on-going concern of governments and of the international development community. All have recognised that in order to bring about greater effectiveness of the use of public funds, including funds provided through official development assistance (ODA) countries need national procurement systems that meet international standards and that operate as intended. Over the last few years, work to achieve this goal has been accelerating.

A joint [World Bank/OECD Development Assistance Committee \(DAC\) Procurement Round Table Initiative](#) was established in 2002. Under its auspices, developing countries and bilateral and multilateral donors worked together from 2003 – 2004 to develop a set of tools and standards that provided guidance for improvements in procurement systems and the results they produce. The Round Table initiative resulted in a set of three Good Practice papers:

1. Mainstreaming and Strengthening Public Procurement.
2. Procurement Capacity Development.
3. Baseline Indicators Tool for Assessment of a National Public Procurement System.

These papers were incorporated into the preliminary edition of [Harmonising Donor Practices for Effective Aid Delivery, Volume III: Strengthening Procurement Capacities in Developing Countries](#) which was tabled at the second High Level Forum on Aid Effectiveness (Paris, March 2005). Following the conclusion of the Round Table initiative, and under the authority of the OECD/DAC Working Party on Aid Effectiveness, the Joint Venture on Procurement was launched. Its mandate is to fulfil the Paris Declaration on Aid Effectiveness and it is committed to strengthening national procurement systems, supporting capacity development and encouraging the use of country systems.

The Joint Venture on Procurement has further developed the Baseline Indicators (Part I of the [Methodology for Assessment of National Procurement Systems](#)) and has added a second component, the Compliance and Performance Indicators (Part II of the [Methodology](#)). The [Methodology](#) is intended to provide a common tool which developing countries and donors can use to assess the quality and effectiveness of national procurement systems. It is designed to provide a basis upon which a country can formulate a capacity development plan to improve its procurement system.

The Joint Venture agreed to a process for field testing this methodology through a 3-phased approach:

Phase 1 – benchmarking/assessment of the procurement system using the Methodology; the results of the self-assessment by the partner - or the donor-assisted assessment - must be validated by means of an open, transparent and objective process of validation between the partner and donors. The results have to be

deemed satisfactory by all parties and be reliable enough for all donors and the partner to use them for their respective purposes, such as in Phase 2.

Phase 2 – development of the Capacity Development Action Plan using the results of Phase 1. The intended outcome is to contribute to strengthening the procurement capacity of the partner government.

Phase 3 – implementation of the Action Plan and periodic measurement / reporting of achievements and any necessary adjustments to the Action Plan. It will be important to have the means to report and measure improvements.

The piloting exercise commenced early in 2007 with 22 participating countries from Africa, Asia and Latin America.

The case study which follows describes the experiences of the piloting exercise through Phases 1 and 2 in Malawi, one of the participating countries. It was undertaken by the Office of the Director of Public Procurement (ODPP) of Malawi with support from the Joint Venture on Procurement. The study relates how the exercise was conducted, includes an overview of some of the main challenges faced and discusses some of the lessons that can be learned from this experience.

In 2007, the Government of Malawi undertook a capacity assessment of the country's public procurement system. One of the main objectives of the assessment was to create a common understanding of the existing procurement capacity levels, with a view to identifying and formulating strategies to strengthen the capacity of the procurement system. This case study presents Malawi's experience of moving from procurement assessment to formulation of capacity development strategies. It describes the approach adopted during the assessment in order to prepare the ground for strategy formulation. It demonstrates, step by step, how the assessment results were, in practice, transformed into strategies for strengthening the procurement system.

MALAWI: ON THE TRACK TO STRENGTHENED PROCUREMENT CAPACITIES

The Public Procurement Act of 2003 introduced a new legal framework governing public procurement in Malawi. The framework provided for the establishment of the ODPP, which, since becoming operational in 2004, has taken the lead on public procurement reform in Malawi.

Among the changes to the procurement system introduced by ODPP was the complete decentralisation of the procurement process to the level of each public entity. There was also a concerted effort to raise awareness of the newly established framework among public sector officials, the private sector, civil society and the general population.

Acknowledging these and other major developments relating to public procurement, the Government of Malawi decided in 2007 to undertake a procurement assessment with a view to:

- measure progress since earlier diagnostic exercises, in particular the Country Procurement Assessment Report of 2004;
- review existing levels of capacity in the procurement system;
- establish a baseline against which to measure future progress.

It was also agreed that, based on the assessment findings, a comprehensive Capacity Development and System Strengthening Plan for the procurement system would be drawn up.

DESIGNING THE ASSESSMENT AND STRATEGY FORMULATION PROCESS

The process in Malawi was divided into two overarching components: the actual assessment of Malawi's procurement system and the subsequent formulation of capacity development strategies based on the assessment findings.

The assessment was conducted using the OECD/DAC Methodology for Assessment of National Procurement Systems (2006). With its detailed set of indicators and its focus on both systemic and compliance/performance-related aspects of the procurement system, this elaborate methodology provided an effective framework for obtaining an overview of the procurement situation in Malawi.

To facilitate a smooth transformation of assessment findings into capacity development strategies, ODPP also decided to test a second tool, namely the UNDP Approach to Procurement Capacity Assessment. While not directly linked to the OECD/DAC methodology, the UNDP tool offers a concrete guideline to identify and formulate capacity development strategies based on procurement assessments. As the tools were found to complement each other well, ODPP decided to apply both of them in conjunction.

Supported by UNDP, a team of consultants was commissioned to carry out the assessment and strategy development. Moreover, ODPP assigned two of its own staff members to take part in the assessment. ODPP considered the participation of its staff members throughout the assessment and strategy formulation processes to be important on two accounts. First, the staff members' presence ensured that invaluable knowledge of Malawi's procurement system was fully utilised throughout the process. Second, ODPP's participation served to enhance its capacity to conduct subsequent similar assessments and to take leadership of the capacity development strategies to be implemented after the finalisation of the assessment and strategy formulation process.

"The assessment and strategy formulation was very rich in knowledge transfer between the consultants and the ODPP team members. This spirit of knowledge sharing encouraged government ownership of the process, which in turn contributed to the success of the assessment."

Bright Mangulama
Director of ODPP

PREPARING THE GROUND FOR CAPACITY DEVELOPMENT

Certain measures were taken early in the assessment phase in order to prepare the ground for the subsequent strategy development process. One of the measures taken was to focus not only on identifying the weaknesses of the procurement system, but also on uncovering the root causes underlying these weaknesses. This was important, as the root causes were later to form a starting point for formulating capacity development strategies. The identification of root causes in Malawi's assessment process is presented in more detail in the box below.

Identifying root causes of weaknesses in Malawi

The assessment and strategy formulation process in Malawi roughly followed five steps:



As illustrated, the assessment phase consisted of three core steps: defining desired capacities, assessing actual capacities, and analysing the capacity gap between the two. In the case of Malawi, the 54 sub-indicators of the OECD/DAC Methodology provided a useful framework for establishing Malawi's **desired capacities** in the field of procurement. Using these indicators as a starting point, Malawi's **actual capacities** could be assessed, and

actual capacities measured against desired capacities. This **gap analysis** thus provided a detailed procurement diagnosis, pinpointing capacity needs for each of the 54 procurement-related areas covered by the assessment tool.

In Malawi, however, the identification of capacity gaps did not mark the end of the assessment process. To be able to formulate capacity development strategies, the team needed not only to know what the capacity gaps were, but also why they were there – that is, the **root causes** underlying the gaps. As a fourth step in Malawi's assessment process, the team therefore set out to identify root causes for each gap. This was done by exploring possible reasons for identified weaknesses among all relevant stakeholder groups, and by confronting stakeholders with contrasting explanations in order to uncover as many contributing factors as possible. Often capacity gaps appeared to have several root causes, which pointed to a need for multi-pronged **capacity development strategies**.

As a consequence of the focus on root causes, a second measure taken in the assessment phase was to take a **qualitative approach** to the data collection. A wide range of stakeholders to the procurement system was interviewed, including selected ODPP staff members, procuring entities, control and oversight authorities, private sector associations, training institutions, civil society organisations and development partners. Similarly, all legal and regulatory documents relating to public procurement in Malawi were reviewed as were policy documents, strategies and previous studies of relevance to the functioning of the procurement system. This qualitative approach enabled the assessment team to consider in detail both descriptive aspects (*i.e.* “what is the capacity need?”) and explanatory aspects (*i.e.* “why does this capacity need to exist?”) of the procurement system.

CHALLENGES IN THE ASSESSMENT PHASE

While the above measures significantly contributed to preparing the ground for the subsequent strategy formulation, the assessment also revealed a number of challenges affecting this process.

One of the main challenges was to ensure **access to information** from stakeholders. Many stakeholders proved reluctant to share sensitive information with the assessment team. In some cases information on weaknesses to the procurement system was withheld or modified, resulting in imprecise assessment results and, as a result, less effective capacity development strategies. Although efforts were made to present stakeholders with the interview context and the purpose of the assessment from its outset, the experience from Malawi suggests that more comprehensive efforts are needed to generate widespread trust in the assessment process.

Another challenge encountered was related to the involvement of **ODPP staff members as assessors** in the process. While the presence of ODPP in many cases helped to uncover otherwise hidden weaknesses to the procurement system, in other cases it turned out to be an impediment to identifying actual root causes. For example, ODPP's presence sometimes created a sense of unease among the interviewees, hereby adding to the challenge of creating stakeholder trust in the assessment process. At the same time, as the advisory body, ODPP is itself a stakeholder with well-developed views on the system, which in the assessment process did not always correspond to the views of other stakeholder groups. This inherent subjectivity of ODPP was addressed and discussed by the assessment team throughout the assessment. Nevertheless, the experience from Malawi underlines the importance of carefully preparing national assessors for the self-assessment method and its pitfalls.

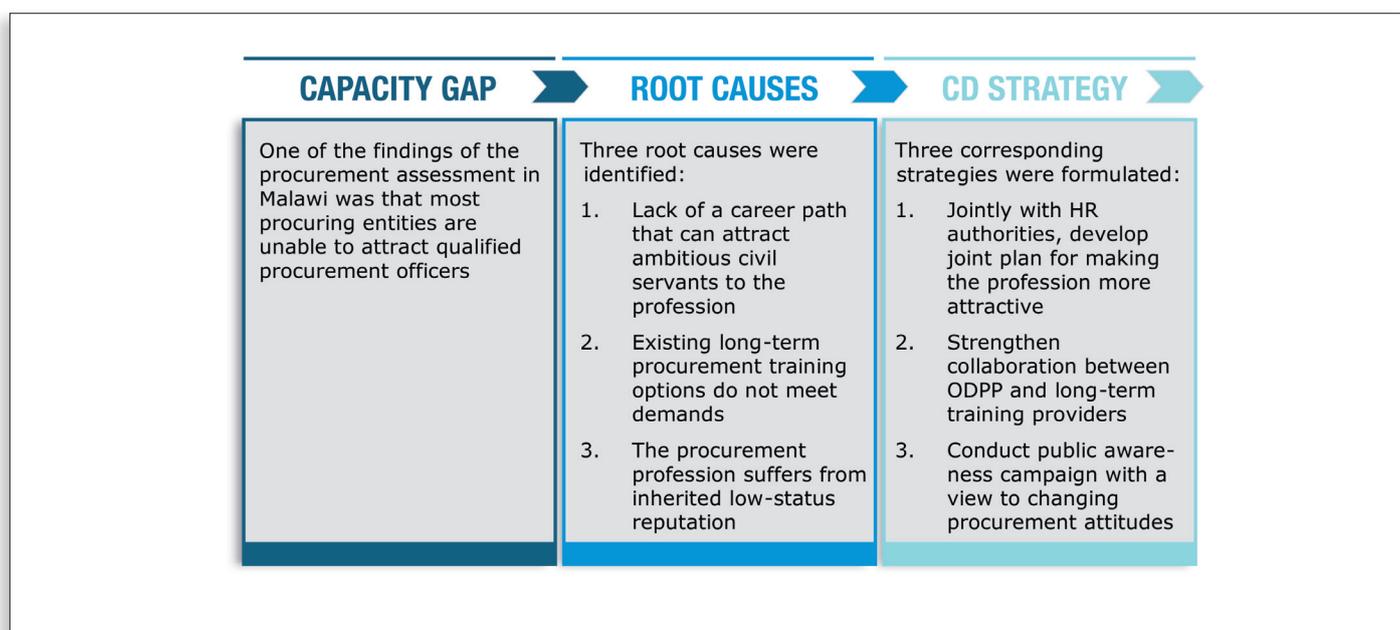
FORMULATING CAPACITY DEVELOPMENT STRATEGIES

Based on the validated assessment findings, the process of formulating capacity development strategies was initiated.

The strategy formulation was composed of three main stages: identifying the actual strategies, defining progress indicators, and transforming strategies into a coherent Capacity Development and System Strengthening Plan.

1. Identifying capacity development strategies

For the purpose of determining which capacity development strategies were needed to address the identified capacity gaps and their root causes, the assessment team developed a **strategy formulation worksheet** systematically listing all capacity gaps and corresponding root causes. A column of blank fields was left for the team to propose relevant strategies for each root cause. As the Malawi example below illustrates, this worksheet enabled the team to maintain a clear link between gaps, root causes and strategies.



In the identification process, both **short-term strategies** and **medium-term strategies** for procurement capacity development were considered. The short-term strategies focused mainly on “quick wins”, *i.e.* strategies that could be implemented with only small efforts and resource inputs, thus contributing to fast and low-cost improvements to the procurement system. The medium-term strategies, on the other hand, covered more complex, time- and resource-intensive interventions, often requiring co-ordination between several stakeholders.

For ODPP it was important that the strategies identified did indeed offer sustainable improvements to all aspects of the procurement system. For this reason, capacity development strategies were considered not only in the traditional area of training and competence development, but also at the organisational and societal level. Capacity development itself was broken down into four different **clusters**:

- institutional reform and incentives
- education, training and learning
- leadership capacities
- accountability and voice mechanisms

Some examples of the strategies identified for each cluster are presented in the diagram below.

Examples of the strategies identified for each cluster

<p>Institutional Reform and Incentives</p> <ul style="list-style-type: none"> ▪ Draft standard bidding documents for routine services ▪ Develop procedures for safe keeping of procurement records ▪ Establish mechanism for integrating procurement in the budgeting process 	<p>Education, Training and Learning</p> <ul style="list-style-type: none"> ▪ Conduct sensitisation activities for procuring entities, user departments, private sector ▪ Develop procurement guidelines to procuring entities and private sector ▪ Establish formalised helpdesk function
<p>Leadership Capacities</p> <ul style="list-style-type: none"> ▪ Sensitise politicians and top officials on the importance of sound procurement practices ▪ Sensitise management level of NGOs and media on the importance of procurement to public service delivery 	<p>Accountability and Voice Mechanisms</p> <ul style="list-style-type: none"> ▪ Conduct information campaign to enhance public awareness of procurement ▪ Accelerate dialogue between procurement authorities and private sector ▪ Initiate systematic procurement monitoring in low performance areas

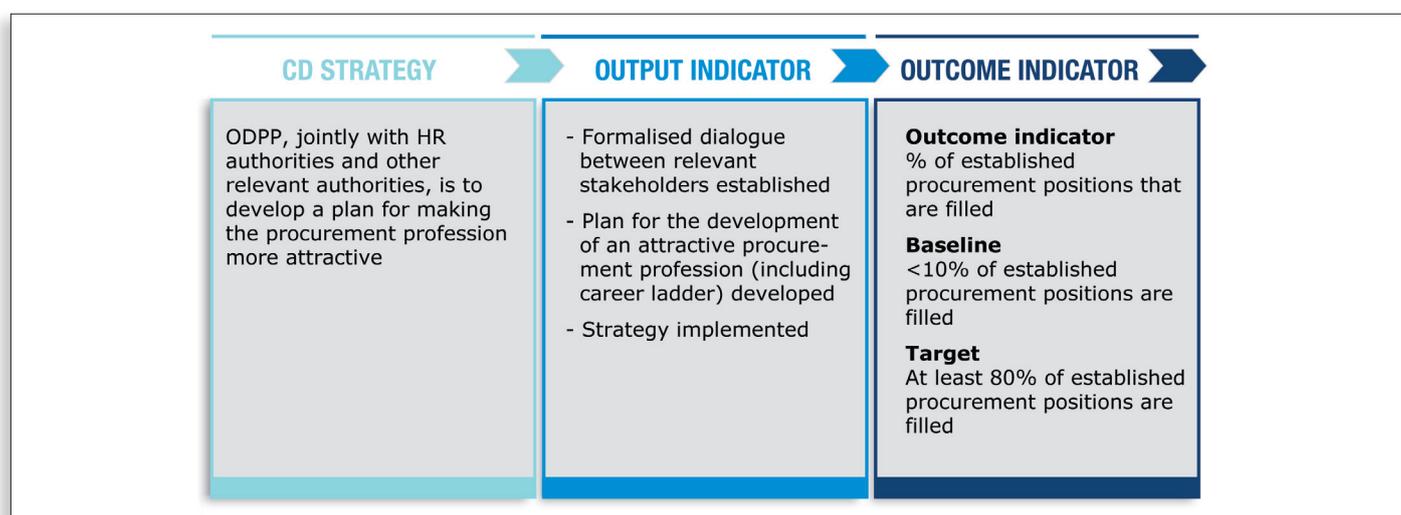
All strategies were **reviewed by a group of stakeholders** including staff members from all ODPP departments and representatives from interested procuring entities. During the review, the relevance and attainability of each strategy was discussed in detail together with the assessment team, and when needed, strategies were amended or replaced by more realistic interventions.

2. Defining progress indicators

To provide ODPP with a tool to continuously measure capacity improvements – and adjust potential unintended effects of the strategies – two “progress indicators” were identified for each strategy. An **output indicator** measured whether the strategy had been implemented, and an **outcome indicator** measured whether the strategy implemented had in fact led to its intended result.

A **baseline** measuring the capacity level at the outset of the strategy implementation, as well as a **target** for the desired capacity level by the end of the implementation period, was defined for each outcome indicator.

This example illustrates how progress indicators, baselines and targets were defined in Malawi.



3. Transforming strategies into a coherent plan

While the strategy formulation worksheet proved a useful tool to ensure that all capacity gaps and root causes were addressed by relevant capacity development strategies, many of the capacity gaps listed together in the worksheet led to similar, overlapping, or inconsistent strategies. This created a need to review, mainstream and consolidate the strategies into a coherent plan.

In Malawi, this transformation process resulted in a total of 15 short-term strategies and 21 medium-term strategies, which were consolidated and presented in the Capacity Development and System Strengthening Plan.

The presentation of each strategy in the Plan included:

- a detailed description of the strategy, the root causes and gaps it addresses, and a proposal for its implementation;
- a clearly assigned lead institution and list of stakeholders to be involved in the implementation process;
- implementation timeframe;
- implementation priority (high, medium or low);
- progress indicators (output indicator, outcome indicator, baseline and target).

CHALLENGES IN THE STRATEGY FORMULATION

Although the process of formulating procurement capacity development strategies in Malawi was generally considered rewarding by ODPP and the assessment team, the process was not free from challenges.

One of the challenges faced by ODPP related to strategies dealing with areas in which procurement meets other core public functions, such as audit, public financial management, human resource development and anti-corruption. In order to be successful, such strategies require the input and **co-ordination of several stakeholders**, and the task of leading these strategies' implementation often does not rest with ODPP. In the Capacity Development and System Strengthening Plan, such areas are therefore addressed by strategies of intensified dialogue with a view to enhancing co-ordination and developing joint strategies. To what extent capacity gaps are eventually dealt with largely depends on the ability of stakeholders to enter into such dialogue.

Another challenge relating to the strategy formulation process was that of **costing strategies**. In the case of Malawi, it was agreed that the costing of capacity development strategies would be carried out by ODPP. It would take the shape of an input-based budgeting process in which estimated, quantifiable inputs (*e.g.* number of consultant days, transportation costs, translation days, number of training materials to be printed, etc.) would be budgeted for each strategy. At the time of writing, ODPP has initiated work on costing high priority strategies, which have been included in the UNDP supported annual work plan. However, costing of medium priority and low priority strategies remains outstanding, mainly due to the fact that the sources of funding for these strategies are yet uncertain.

Besides these challenges, the Government of Malawi will need to address that of ensuring a well-coordinated, well-monitored and well-managed **capacity development implementation process**. While a number of low cost quick-win strategies (such as updating the ODPP website and uploading procurement documents and publications for free) have already been implemented by ODPP, the vast majority of the capacity development strategies are waiting for implementation under the UNDP supported 2008 Annual Work Plan or other sources of funding.

LESSONS FROM MALAWI

As illustrated in the previous sections, the assessment and strategy formulation process in Malawi was characterised by both successes and challenges. Collectively, Malawi's experiences point towards a number of lessons which may be of value to other countries wishing to pursue similar processes in the future:

1. **Expand the assessment focus from "what" to "why"**: While the OECD/DAC methodology provides an invaluable tool to determine the strengths and weaknesses of a country's procurement system, the experience from Malawi shows that, in order to identify relevant capacity development strategies, a thorough understanding of the underlying root causes is needed. This can be achieved by adding a qualitative and explorative approach to the assessment, hereby revealing root causes underlying immediate system weaknesses.
2. **Ensure active participation of the procurement authority**: The Malawi case clearly illustrates how important it is for the procurement authority to participate actively throughout the assessment and strategy formulation process. First of all, the procurement authority's invaluable knowledge of the procurement system is key to producing valid

findings. Secondly, the ownership created by taking part in all aspects of the process may contribute to installing a sense of motivation necessary to lead the subsequent implementation of capacity development strategies. At the same time, it should be remembered that the role of assessor – and in some cases self-assessor – is a challenging one, for which authority staff members need to prepare well, *e.g.* through systematic reflection and competence development in assessment methods.

3. **Mobilise stakeholders from the outset of the process:** The assessment process in Malawi demonstrates that the importance of involving a broad range of stakeholders throughout the process – through informal meetings, workshops, consultations, etc. - should not be underestimated. When stakeholders have an in-depth understanding of the assessment’s objectives they are more likely to trust in the process and furnish valuable information. Moreover, enhanced stakeholder awareness of the positive impact of procurement capacity development on their own work situation (“what’s in it for me?”) is likely to create an atmosphere of meaningful change and help build broad commitment to the reform agenda.
4. **Internalise the process in existing fora:** Ensuring commitment and leadership from the procurement authority is imperative in the assessment and strategy formulation process. Nevertheless, it is equally important to pay attention to the need for strategies to be internalised in broader national development fora – such as public sector reform committees or similar – in order to be successful. The case of Malawi indicates that elevating the capacity development process above the isolated effort could well provide the push needed to move from strategy to implementation.
5. **Take a systematic approach to formulating capacity development strategies:** As the case study shows, taking a systematic approach to strategy formulation may well turn out to be a good investment. In Malawi, the selected three-step approach enabled the assessment team to maintain a clear link between capacity gaps, root causes and capacity development strategies throughout the formulation process, which again facilitated broad stakeholder agreement with, and support for, the strategies.
6. **Co-ordinate strategies that go beyond the control of the procurement authority:** The experience from Malawi demonstrates that weaknesses to the procurement system are often found in areas where public procurement meets other public core functions. To develop strategies which deal effectively with such issues, close dialogue and co-ordination between all key stakeholders should be part of the strategy development process in order to facilitate the joint formulation of sustainable strategies.
7. **Maintain a strong focus on funding:** As indicated by the case study, funding is one of the main drivers in procurement reform processes. To facilitate a smooth implementation, it is important to build a clear commitment to the funding of procurement reforms from the outset of the assessment process – whether from national budgets or development partners’ budgets. Similarly, strong links to agreed funding sources need to be ensured throughout the assessment and strategy formulation process.
8. **Acknowledge that capacity development is a process of change:** The current status of Malawi’s capacity development process today well illustrates that capacity development strategies do not translate into implementation automatically. In this regard it is important to acknowledge that any reform process involves change – with all the barriers that this entails. To move from formulation to implementation of reform strategies, this change process must be carefully and continuously managed. This can be achieved, for example, by identifying national drivers of change, addressing resistance to change, committing major stakeholders, and establishing clear political leadership to reforms.

“The assessment not only gave us the means to be more precise in identifying the capacity gaps, it helped us and the stakeholders to be more focused and disciplined in our discussions to move forward. It packaged the information in a structured way enabling us to see the big picture more clearly; development agencies no longer have to respond erratically to scattered information in this area.”

Sam Tabrizi
*Former Capacity Development Cluster
Manager, UNDP Malawi*