



**OFFICE OF THE DIRECTOR OF PUBLIC PROCUREMENT**

**ANNUAL REPORT  
2006/2007 FINANCIAL YEAR**

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His Excellency Dr Bingu wa Mutharika  
President of the Republic of Malawi and  
Minister Responsible for Public Procurement  
State House  
**LILONGWE**

Your Excellency,

**ANNUAL REPORT FOR THE 2006/2007 FINANCIAL YEAR**

In accordance with Section 41 of the Public Procurement Act (2003), I hereby submit my Annual Report for 2006/2007 financial year.

I am

Your Excellency's Obedient Servant,

Bright S.M. Mangulama  
**DIRECTOR OF PUBLIC PROCUREMENT**

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## **FOREWORD**

In our maiden report of 2004/05 financial year, we dwelt a lot on the historical aspects of the Procurement Reform Programme and the origins of the Office of the Director of Public Procurement (ODPP). In the 2005/06 issue, we strived to highlight the progress the Office of the ODPP had made in the implementation of the reforms.

This report is for 2006/07 financial year and is the ODPP's third Annual Report. It highlights the activities of the Directorate and gives an indication of its performance during the period in its oversight, regulatory and monitoring functions. These functions are performed through three core departments namely Monitoring and Enforcement, Professional Development, and Regulatory and Review. Having been operational for three years, it is prudent to take stock and reflect on how we have carried out our functions. This can allow us to be more focussed in areas of weakness and to improve even further, in the areas of our strength, so that we can continuously improve our service to the public sector in accordance with the given mandate and our strategic plan.

In these early stages of our institutional development, we have to accept that we still have a long way to go in implementing procurement reforms in the country. This is in view of the challenges we have so far faced during the three years of our establishment. These challenges are mainly due to capacity constraints at the ODPP and in the procuring entities. Fortunately the office has had very good support from Government and some donors. This assistance cannot be taken for granted.

As the office continues to implement the procurement reforms, there are a number of ambitious projects underway and their principal aim is to make the reforms sustainable, effective and rewarding to the economy. This report highlights some of the activities in the projects and they include the public procurement reporting system, short and long term training, institutional partnerships/collaboration, the establishment of relevant committees and a professional body for procurement practitioners.

The success of these initiatives requires the concerted effort of all stakeholders involved in procurement, especially in the public sector. The ODPP cannot effectively and efficiently deliver without

the other stakeholders. The office cannot afford to operate in seclusion. It is pleasing to note that over the years the office has enjoyed good partnership with stakeholders in procurement and with those in other institutions whose mandate and operations relate to public procurement. In particular, the office has had excellent relationship with other oversight and corporate governance institutions such as the Anti-Corruption Bureau, the Human Rights Commission, the National Audit Office, the judiciary and civil rights institutions such as the National Initiative for Civic Education (NICE) and Malawi Economic Justice Network (MEJN). It is the expectation of this office that this cooperation shall continue so that procurement develops into a fully fledged and respectable profession and that those practicing should live up to the expectations of a profession with well defined ethical standards. In that way the practitioners will see to it that bad procurements, abuse and corruption are a thing of the past.

The ODPP shall not relent in its efforts to explore ways through which public procurement procedures and processes can be continuously improved. This shall be done through lessons learned on the ground and best practices gained through networking with similar institutions in other countries within the region and beyond. It is pleasing that during the past year a good number of officers at the ODPP were exposed to international forums through study tours, workshops, seminars and training programmes. This development offered opportunities for these officers to network and learn the practices in other countries and institutions. This has impacted positively on the performance of this office. Consequently, the office shall continue to open up to local and international learning experiences that can contribute to the speedy establishment of systems and processes that enhance public procurement prudence in Malawi.

It is pleasing to note that the procurement reforms in our country have been sufficient to attract the attention of other countries in the region that look at Malawi as a perfect example of how to implement reforms. The speed and quality of reforms in the country are now used as examples in countries in the region. The ODPP believes that there is the potential to do even better.

It is my hope that the contents of this report will be useful and informative to the public and that it will provide sufficient evidence

that procurement reforms are indeed producing the desired results. I would like to appeal to the authorities in Government and to the general public to continue supporting these reforms so that fraud, abuse and corruption in public procurement are minimised and eventually eliminated.

**Bright S. M. Mangulama**  
**DIRECTOR OF PUBLIC PROCUREMENT**

## LIST OF ACCRONYMS

CIPS	Chartered Institute of Purchasing and Supply
DEMATT	Development of Malawian Traders Trust
DFID	Department for International Development
DHRMD	Department of Human Resources Management and Development
FIMTAP	Financial Management, Transparency and Accountability Project
IEC	Information Education and Communication
ILO	International Labour Organisation
IT	Information Technology
IPC	Internal Procurement Committee
MACRA	Malawi Communication Regulatory Authority
MGDS	Malawi Growth and Development Strategy
MCA	Millennium Challenge Account
MIM	Malawi Institute of Management
NGO	Non Governmental Organisation
NICE	National Initiative for Civic Education
ODPP	Office of the Director of Public Procurement
OPC	Office of the President and Cabinet
PE	Procuring Entity
PPA	Public Procurement Act
PU	Procurement Unit
PRS	Procurement Reporting System
SBD	Standard Bidding Document
SEDOM	Small Enterprises Development Organization of Malawi
SFFRFM	Smallholder Farmers Fertiliser Revolving Fund of Malawi
SME	Small and Medium Enterprises
SPU	Specialised Procurement Unit
UNDP	United Nations Development Program
USAID	United States Agency for International Development

## **MISSION STATEMENT**

### **Vision**

To put in place a Public Procurement System that is transparent, efficient, and corrupt free.

### **Mission**

To provide a professional, efficient and effective regulatory, monitoring and oversight function on all public procurement matters by formulating, implementing and reviewing public procurement policies in order to ensure transparency, accountability and value for money in all procurement activities.

### **Core Values**

The Office of Public Procurement's core values are:

- 1. Efficiency, Effectiveness and Economy**
  - ODPP shall discharge its duties in a cost effective and expeditious manner
- 2. Impartiality**
  - ODPP shall exercise fairness and justice in discharging its duties
- 3. Professionalism**
  - ODPP shall discharge its duties with high sense of responsibility
- 4. Transparency and Accountability**
  - ODPP shall discharge its duties in an open manner while remaining responsible for its action.
- 5. Integrity**
  - ODPP shall be firm, and shall exercise honesty and trustworthiness in discharging its duties.

### **Client Charter**

ODPP shall support all public institutions in Malawi and be accessible to assist them improve public procurement activities that are guided by the Public Procurement Act.



## **CHAPTER ONE**

### **OVERVIEW OF THE OFFICE OF THE DIRECTOR OF PUBLIC PROCUREMENT**

#### **1.0 Introduction**

The establishment and mandate of the Office of the Director of Public Procurement (ODPP) is provided for in the Public Procurement Act of 2003. The Act created the ODPP to play the role of a regulator, overseer and monitor of all public procurement undertakings. The Office is the custodian of the Public Procurement law and became operational in February, 2004 with the recruitment of the Director who rolled out the operations of the Office.

#### **1.1 Functions**

In discharging its regulatory, oversight and monitoring functions, the ODPP principally exercises the following roles as provided for in Section 4 of the Act:

- i) Assisting in the development and enhancement of efficient and effective public procurement operations;
- ii) Ensuring the availability and accessibility of the Public Procurement Act and the accompanying regulations to public officials and the general public;
- iii) Developing standardised procurement documents in consultation with concerned professional and official entities and making these available to public officials for mandatory use by all public institutions;
- iv) Promoting the development of a professional workforce by organising and conducting training programmes and developing government-wide policies and programmes aimed at establishing procurement related positions, career paths and performance incentives;

- v) Monitoring the performance of public institutions in the way they conduct procurement proceedings in order to determine whether this is done efficiently and in accordance with the existing legislation;
- vi) Collecting data on procurement contracts in Malawi and maintaining a list of debarred bidders and suppliers;
- vii) Referring any violations of this Act to the relevant budgetary and law enforcement authorities;
- viii) Proposing improvements in public procurement procedures;
- ix) Providing administrative review of bid protests;
- x) Carrying out economic studies on procurement, comparisons and future projections so as to provide advice to Government for mid-term and long-term policy formulation in respect of public procurement matters;
- xi) Establishing a data and information base concerning procurement terminology and legislation and to set policy for and promote the application of modern information and communications technology to public procurement;
- xii) Regularly providing qualitative and quantitative assessments of procurement activities in Malawi to the Minister who is required to lay the reports before the National Assembly.

## **1.2 Institutional Structure**

To fulfil the above functions, ODPP has three technical departments namely Regulatory, Advisory and Review; Monitoring and Enforcement and Professional Development. Each of these departments is headed by an Assistant Director who reports to the Deputy Director. The core departments draw their support from Finance and Administration Department which looks after finance, office services, procurement and human resources.

### **1.3 Achievements and value adding to the Procurement System since the Act of 2003**

Since the enactment of the Public Procurement Act of 2003 and the resultant establishment of the ODPP in 2004, there has been remarkable and visible improvement in the conduct of procurement in the country resulting in better value derived from its resources and improved discipline in the use of public resources. Implementation of the reform provisions in the Act has contributed to the improvement of the economy by securing public funds which would otherwise have been abused through unsystematic and unregulated procurement, poor decision making, fraud and corruption. As a result, the country has saved its precious and limited financial resources simply by ensuring that there is a legal framework governing the conduct of procurement in all public entities. Such resources are now made available to be allocated to the multitude of Government programs aimed at fulfilling the MGDS.

Before the establishment of the ODPP in 2004, public procurement was being conducted in a chaotic manner. There was little consideration for prudence, accountability, transparency or economy in the use of public funds. There were no systematic procedures or measures to ensure that Government would receive good value for money in its expenditure through procurement of goods, works and services. Procurement became fertile ground for abuse, fraud and corruption.

There were several high profile procurement cases that were characterised by abuse, fraud and corruption. Examples are the Ministry of Education's K187 million school projects scam, the procurement of exercise books from Fieldyork, the Ministry of Home Affairs Land Rover and identity card scandals, among others. The Government of Malawi lost a lot of resources in form of finance and time. In addition, the beneficiaries who are members of the public and taxpayers, lost the resources which they were the entitled to.

After the establishment of the ODPP, the public procurement procedures were established and are used by all public institutions. The public sector officials have been trained to use them and have been instructed to follow them to the letter. However, since these procedures are new, there is need to train officers involved in public procurement in their use. Such training is being undertaken on a continuous basis.

The office distributed the Public Procurement Act, developed and distributed the Public Procurement Regulations, the Public Procurement Desk Instruction and the Standard Bidding Documents (SBDs). These are supplemented by various circulars issued by the Director from time to time to clarify and direct the application of the procedures.

The results have been that high value contracts like the procurement of fertiliser for the Fertilizer Subsidy program, the National Water Development project, the Borehole Drilling program, the construction of the national assembly and various road construction projects are being undertaken with minimum disruption and at acceptable costs, therefore, adding value to the outcome of the procurement process.

In order to ensure that contracts are properly awarded and executed, the ODPP monitors all the public institutions by regularly sending monitoring teams to verify the processes and contract implementation to ensure that the processes comply with the legal framework and that the suppliers fulfil their obligations. Where there are deficiencies, the institutions are required to explain or justify.

Contracts are now awarded on merit through a process that demonstrates transparency, fairness, and accountability that has made the private sector gain much more confidence in the system and in Government operations. The private sector is now confident that no sector is excluded from participating in Government contracts as long as they are competitive and capable of providing the required goods, services or works.

The general improvement in the performance of the economy can be partly attributed to the implementation of the public procurement reforms considering that it is estimated that up to 70% of recurrent expenditure by public institutions is on procurement. Prudence and economic gains in the conduct of procurement as a result of implementation of the Public Procurement Act translates to huge savings for the country and a significant contribution to the economy's growth rate.

## **CHAPTER TWO**

### **PUBLIC PROCUREMENT ACT AND ITS IMPLEMENTATION**

#### **2.0 Introduction**

As a regulator, monitor and overseer of public procurement, all the activities of the ODPP are governed by the provisions of the Public Procurement Act. These activities are carried out through the Directorate's three core departments.

#### **2.1 STRATEGIC PLAN AND PLANNED ACTIVITIES**

The ODPP developed its Strategic Plan in line with the current Government policy for all public institutions. The Strategic Plan is a three year guide of activities and covers the period from 2006 to 2008.

The introduction of performance related contract scheme in the Civil Service, as directed by the Office of the President and Cabinet, required the introduction of strategic planning as a tool for measuring the productivity of the civil service. Such strategic plans define the vision and mission of the institutions and enable them to chart the way forward after a critical examination of their strengths, weaknesses, opportunities and threats to enable them to maximise productivity in the use of resources at their disposal. Strategic planning also makes it easier to assess the performance of the institutions and their employees.

The planned activities in the Strategic Plan as implemented by the core departments of the ODPP are as follows: -

#### **2.2 PROFESSIONAL DEVELOPMENT AND CAPACITY BUILDING**

The ODPP as provided in the Public Procurement Act is mandated to promote the development of a professional procurement workforce by, among other things, organizing and conducting training and developing government-wide policies and programmes aimed at establishing procurement-related positions, career paths and performance incentives. A number of activities were held during the 2006/2007 financial year:

### **2.2.1 Public Procurement Workshops**

The office planned to conduct six workshops targeting two hundred and ten members of the Internal Procurement Committees (IPCs) and Procurement Units from various government ministries, departments, statutory corporations and other public institutions. These workshops were to be conducted using both government and donor funds.

However, only four workshops using donor funds were conducted in the three regions of the country through which a total of one hundred and forty participants benefited. These participants included directors of finance and administration plus their deputies in the ministries, heads of departments, procurement and stores personnel. The ODPP was unable to mobilise enough financial resources to run the remaining two workshops.

During the year under review, a number of public institutions financed similar workshops for the benefit of their members of staff. The workshops were facilitated by staff from the ODPP. The institutions that conducted their own workshops on public procurement include Airport Development Limited, Air Malawi, Blantyre Water Board, MACRA, Department of Fisheries, Malawi Defence Force, Ministry of Education and Vocational Training, Malawi Institute of Education and Lilongwe Water Board. On average, the institutions contributed ten participants for each workshop and therefore about eighty participants benefited. Thus the grand total of beneficiaries in the year was two hundred and twenty, exceeding the planned number by ten.

### **2.2.2 Long-Term Training Programs**

The Office initiated a number of long-term training programmes for procurement officers. These training programmes are aimed at building institutional capacity to effectively carry out public procurement in accordance with the current reforms and the global best practice. Such training includes:

#### **i Postgraduate Masters Degree Programs**

In order to build capacity, the ODPP planned to sponsor five (5) officers to pursue post-graduate studies in procurement. Fortunately, due to the goodwill of donors, four (4) additional officers were sponsored giving a total of nine (9) officers who benefited from such training. Six (6) of these

were sponsored by FIMTAP and three (3) by MCA. These officers were scheduled to finish their Masters Degree programs by December 2007.

For the same reason of building capacity in procurement entities and to increase access to postgraduate training, the ODPP initiated a Masters Degree program in procurement in conjunction with the University of Bolton in the UK. The programme would be hosted by the Malawi Institute of Management (MIM) and is expected to commence in the next financial year. The ODPP, through support from the World Bank under FIMTAP, has reserved scholarships to admit at least 15 public officers from various government ministries and departments.

## **ii Undergraduate Bachelors Degree Programme**

The ODPP entered into negotiations with the Malawi Polytechnic, a constituent College of the University of Malawi to introduce a Bachelors Degree in Procurement and Logistics. Study tours to countries and universities providing similar programs in the region and beyond were conducted. The tours were aimed at learning from others how such programmes are run and could be quickly implemented. The study tour included lecturers from the Malawi Polytechnic and officials from the ODPP. This program is being co-sponsored by the MCA, USAID and UNDP and is expected to start in the 2007/08 financial year.

## **iii Professional Courses under the Chartered Institute of Purchasing and Supply (CIPS)**

The ODPP planned to train twenty (20) officers at CIPS Certificate level and another twenty (20) at Graduate Diploma level. With the assistance from the World Bank (FIMTAP), the office is sponsoring the twenty (20) public officers from various government institutions for training at the Staff Development Institute at Mpemba leading to certificate and advanced certificate from CIPS. The office is sponsoring a further thirty (30) public officers at the Malawi Institute of Management for the CIPS graduate diploma.

## **2.2.3 Short-Term Training Programs**

### **i Skills Development Training**

In view of the shortage of qualified procurement personnel currently being experienced in the public sector, plans are underway to conduct short term, hands-on skills development programs in the next financial year targeting 80 officers. This will target public officers who are currently performing procurement tasks but have not been exposed to structured training in this area. With the assistance of UNDP, learning materials have been developed by International Labour Organisation (ILO) in Turin, Italy. To ensure sustainability of such training programs, the office secured the services of a trainer who conducted Training of Trainers workshops targeting qualified procurement personnel who would use the training materials to continue the programs for public institutions in future. Another prospective trainer was also identified to deliver the first one-month skills development program together with those who had gone through the Training of Trainers workshops.

### **ii Training in the use of Standard Bidding Documents**

Standard Bidding Documents were approved in December 2005 and distributed for use by procuring entities from January 2006. The ODPP planned to conduct three sensitization workshops targeting 105 officials on the use the SBDs. With the financial support of the Department for International Development (DFID) who also financed the development of the standard bidding documents, the office conducted all the planned workshops and 100 public officers from various public institutions benefited.

### **iii Training on Procurement Reporting System**

The ODPP started rolling out the Procurement Reporting System (PRS). The system is web-based and is meant for reporting procurement activities in the entities. It enables the entities to post and manage their tenders on the ODPP website. The programme has presently been rolled out to key ministries of Education, Science and Technology, Transport and Public Works, Water and Irrigation, Health and Agriculture.



#### **2.2.4 Establishment of the Procurement Professional Body**

The ODPP sourced funds to facilitate the establishment of an independent procurement and supplies professional body that will regulate and develop the interests of the procurement profession in Malawi. This will be a registered entity to operate outside government control.

The professional body will develop and regulate the procurement profession in all sectors of the economy including the public and private sectors, the NGOs and other business entities. It will further be responsible for accrediting local training programs by scrutinizing and approving international certification for use by different stakeholders in the country. Above all, it will be responsible for developing benchmarks within the procurement profession in Malawi against which performance by various individual practitioners will be measured.

To achieve this, the ODPP planned to conduct sensitization workshops in the three regions of the country. With the support of World Bank under FIMTAP, the office conducted three sensitization workshops as planned. The workshops mandated the Office to appoint a task force, which is now in place to oversee the entire process of establishing the body.

### **2.3 MONITORING AND ENFORCEMENT**

The purpose of the Monitoring and Enforcement Department is to monitor the procurement systems in use, the procurement activities of the entities and the performance of bidders and suppliers so that the Office can regulate the procurement environment within which they operate. The monitoring and enforcement activities of the department focus on public procuring entities and fall under two broad categories:

#### **2.3.1 Institutional Compliance**

This activity is aimed at ensuring that the basic institutions (IPCs and SPUs) are correctly created, operational and perform the functions delegated to them in accordance with the provisions of the PPA.

During the year under review, the department continued to concentrate on institutional compliance assessments. The Department visited fewer public entities than had been planned largely because of capacity constraints.

However, the department managed to conduct institutional compliance assessment exercises in all the district assemblies in the Central Region except Lilongwe which had been covered during the previous fiscal year. Further institutional compliance assessments were conducted in Mulanje, Thyolo, Chikwawa, Nsanje, Neno and Mwanza district assemblies in the Southern Region. The department also conducted investigative monitoring exercises at Mchinji district assembly, Kasungu district hospital, and Dedza Secondary School following complaints from the general public. This is a good indication of public awareness of procurement reforms and is a result of ODPP's public education and awareness campaigns. It shows willingness of the public to report procurement malpractices.

### **2.3.2 Procurement Assessments/Audits**

This is aimed at ensuring that the procurement processes are done procedurally and demonstrate transparency, fairness and economy and that an audit trail exists to substantiate and justify each decision and event.

During the period under review, this activity was not fully carried out because key tools for conducting the audits have not been fully developed. Some of the investigations that were carried out as a result of complaints were actually an element of procurement auditing.

The Office is facilitating the recruitment of a consultant to carry out Procurement Audits in selected entities, with funding from the World Bank. It is expected that the Monitoring and Enforcement Department will understudy the consultant so that subsequent procurement audits are done in-house.

### **2.3.3 Procurement Data**

One of the major challenges facing the procurement system in Malawi is the lack of data on procurement for effective monitoring and analysis of the procurement transactions. Major factors contributing to this include lack of well trained procurement experts in the public sector and lack of supportive IT infrastructure. Therefore, it has been very difficult for the department to retrieve information on procurement. As more training programmes are being conducted and vacant procurement positions in the public sector are being filled, the situation is expected to improve. To enhance data quality the department physically visited procuring entities in

order to collect data and to discuss with them the problems they experience in submitting procurement related data to ODPP.

#### **2.3.4 Key Issues from Monitoring Visits**

A number of pertinent issues came out during the institution compliance assessment exercises conducted in the year under review. These are:

##### **i) Staffing of Procurement Units**

Most procuring entities do not have formally established SPUs. In most cases their procurement is done by officers in the stores units. This contravenes the requirement that procurement functions be separate from stores functions. There is need for DHRMD to take the lead in ensuring that SPUs in all government ministries and departments have been formally established and that they are properly staffed with procurement professionals. Through the DHRMD, over 60 establishments have been created in some Ministries and departments. When these have been filled, it is expected that compliance levels would significantly improve.

##### **ii) Disclosure of Information**

The Public Procurement Act requires that entities must use the Government Gazette in making procurement information available to the general public. Unfortunately, the Gazette is not widely circulated in the country and is not released frequently by the Government Press, rendering it irrelevant for the purposes of disclosure of information. With the development of the ODPP website, procurement activities are now being encouraged to use it for the disclosure of information on procurement. Meanwhile entities continue to use the existing commercial media to advertise and publish the results of their tenders.

##### **iii Poor Procurement Record Keeping**

Management of records of procurement transactions in most entities visited is very poor. The situation is a lot better in statutory corporations. Because of poor records management, it was very difficult to undertake effective procurement audits. The Professional Development Department which is responsible for the development of

capacity in public procurement has now included this area as a module in their training programs in order to address the problem. The situation is expected to improve as the entities recruit competent procurement personnel.

#### **iv) Standard Bidding Documents (SBDs)**

Despite the sensitization workshops that the ODPP has conducted on the use of SBDs, there is still a visible lack of capacity in their utilization in the PEs. There is also lack of capacity amongst bidders and suppliers in understanding and participating in public procurement using the SBDs. As a result, the majority of submissions from the private sector have remained unresponsive. While the ODDP has plans to conduct training and sensitization workshops amongst the private sector on public procurement procedures, the better strategy would be for the private sector to invest in training its staff to maximize their benefits from the public procurement since the government and its institutions are the biggest players in the economy.

#### **v) Procurement in Local Assemblies**

Plans are underway for the ODPP in liaison with the Ministry of Local Government to develop public procurement guidelines for the district and local assemblies. Currently, procurements in the local government are guided by the Public Procurement Act. In the current state, it has become clear that the Assemblies will continue to struggle in fulfilling their needs while complying with the Act. Monitoring visits have shown the need to develop procurement procedures that suit local government set-up while complying with the Act.

#### **vi) Pre-qualification and SMEs**

There is a general complaint that procurement procedures and pre-qualification requirements do not encourage the participation of SMEs in the public procurement process. The ODPP, in liaison with the Ministry of Industry and Trade, has plans to develop a policy to assist the participation and promotion of SME's in public procurement process.

## **vii) Stakeholders' Consultative Meetings**

During the past year, the ODPP noted that some of the provisions of the Act, Regulations, Desk instructions and its circulars were being misunderstood by the PEs. After making preliminary consultations, it was noted that most PEs needed further clarification on a number of issues.

To respond to this need, the Monitoring and Enforcement Department organised three regional consultative meetings which were held in Blantyre, Lilongwe and Mzuzu in February 2007. The meetings were very productive as PEs presented their problems and opinions while the ODPP were able to respond instantly.

## **2.4 REGULATORY, REVIEW AND ADVISORY**

The purpose of the Regulatory, Review and Advisory Department is to regulate the procurement environment within which Procuring Entities operate so as to improve transparency, efficiency and value for money while providing a central point of contact for procurement advice to entities. The Department has three sections, namely: Regulatory, Review and Advisory.

### **2.4.1 Regulatory Section**

The Regulatory Section is responsible for the formulation, development, amendments and maintenance of public procurement legislation and all related documents and for providing legal advice and interpretation of texts. During the year under review, the section developed the 'Ethical Standard Code' for public procurement which is presently in print. The document will provide guidance regarding the moral issues of public procurement. The section is also responsible for sensitising members of the IPC and the evaluation committees to declare their interest prior to performing their duties in the procurement process in order to uphold the dignity and honour of their responsibilities.

During the year the Regulatory Section initiated the process of developing the promotional guidelines in public procurement for Small and Medium Enterprises (SMEs). The activity, which is funded by the USAID through Casals and Associates, started with a study tour to Canada and Uganda by a team of officials from Ministry of Trade and Private Sector Development, DEMATT, Casals and Associates, SEDOM and the ODPP

to appreciate how other countries have handled issues of SMEs. This was followed by a coordination workshop where a number of resolutions suitable for the Malawi business climate were passed.

#### **2.4.2 Review Section**

In accordance with Section 37 of the Public Procurement Act, 2003, the ODPP is required to review any complaints brought by suppliers, contractors and consultants in the event that they have concerns about particular contract awards or the process used by entities. The Review Section is responsible for handling such procurement related complaints. It provides secretarial work to the ad hoc Review Committee that is convened to process appeals brought to the Director of Public Procurement. The Review Committee is composed of eminent members of the society outside the ODPP.

During the year, two appeals by Blantyre Print and Packaging and by Chemicals and Marketing Limited were handled through the Review Committee. The department further responded to various complaints that were lodged by members of the public on the conduct of procurement transactions by some procuring entities.

#### **2.4.3 Advisory Section**

The Advisory Section is responsible for providing advice to procuring entities on issues of procurement. A number of procuring entities that sought advice of ODPP were assisted accordingly during the year. Most such advice centred on the public procurement framework and acceptable practices.

### **2.5 INFORMATION, EDUCATION AND COMMUNICATION (IEC)**

During the 2006/07 financial year, the ODPP embarked on a public sensitisation and awareness campaign for its programmes. Through its Public Relations Section, the ODPP made sure that procurement stakeholders and members of the public have been sufficiently informed about its purpose, operations and services. The Information, Education and Communication activities of the Directorate were funded by the UNDP under the project on Building National Capacity to Implement the Public Procurement Act. The activities implemented under the project are:

### **2.5.1 Communication Strategy**

The ODPP formulated its Communication Strategy that enabled the implementation of a focused public procurement advocacy program. The document catalogued a variety of activities targeted at different sectors of the procurement community. The strategy was adopted as part of the three-year plan for the ODPP.

### **2.5.2 Production of Radio and TV Programmes**

As part of its Communication Strategy, the ODPP produced radio and TV documentaries, jingles, commercials and drama episodes on the conduct of public procurement under the current reformed system. The activities were implemented using all radio stations to ensure wide coverage and they have proved a success as the Office continuously receives feedback from listeners throughout the country.

### **2.5.3 Production of Quarterly Magazine and Other Publications**

The ODPP created a forum for learning and discussion about public procurement by introducing a quarterly magazine called The Public Procurer. This high quality magazine is distributed to all heads of public institutions, procurement personnel and the private sector at no charge. Some copies are circulated in libraries under the National Library Service and in the districts under the National Initiative for Civic education (NICE). The Head of State as the Minister responsible for Public Procurement contributes the foreword statements in each publication to emphasise the seriousness he attaches to ethical and prudent public procurement in the country, among other things.

A wide range of bilingual leaflets and brochures on public procurement were also produced during the year.

### **2.5.4 Media Training on Procurement Reporting**

In recognition of the role media practitioners play in information dissemination, the ODPP organised regional procurement training sessions for them. Over one hundred (100) journalists from across the country benefited from the training.

### **2.5.5 Creation of Partnerships with Media Houses**

Further partnerships were established with some radio stations and newspapers to support the Directorate's advocacy programmes. For a period of eight weeks between February and May 2007, the Directorate ran a fortnight topical discussion on Capital Radio where a number of thematic issues on public procurement were discussed by procurement experts. In conjunction with Lilongwe Press Club, the Directorate held live public procurement debates on Zodiak Broadcasting Station where a number of issues were explored. Free space was allocated to the Directorate by *The Daily Nation* to run a weekly column on public procurement.



### **2.5.6 The ODPP Website**

With a fully fledged website in place, ODPP has made sure that the public is kept updated of procurement reforms.

## **CHAPTER THREE**

### **FINANCE, ADMINISTRATION AND HUMAN RESOURCE**

#### **3.0 Introduction**

The fulfilment of the ODPP's mandate through its core departments relies on the efficiency and effectiveness of the Finance, Administration and Human Resources Sections who support the activities of the three core departments of the Directorate. Each of the three departments played their supportive roles in the year under review:

#### **3.1 Finance and Administration**

The ODPP's financial and administrative section provided a conducive environment for the operations of the Directorate's three core departments. This section ensured that the office environment remained favourable for staff operations by carrying out necessary furnishings, repairs and other regular management needs.

In addition, the section organised regular technical and management meetings to ensure that staff were kept abreast with any developments taking place at the Directorate and that they were provided with a forum to express their views and concerns.

#### **3.2 Human Resource and Recruitment**

##### **3.2.1 Recruitment**

One of most important Human Resource functions is the selection and recruitment of suitable staff. The ODPP is an Equal Opportunities Employer and seeks to ensure that all job applicants and employees are considered and selected solely on merit.

It should be noted that recruitment in the ODPP is carried out in accordance with the main civil service policy and procedure on recruitment. This means that recruitment is dependent on availability of financial resources and the justification for work to be performed.

Most of the key positions at the ODPP were filled during 2005/2006 Financial Year; as a result, not much recruitment was done during the

period under review. Only six officers were recruited in the grades PP3, PP7, PP9, PP11, PP12 and PP13.

### **3.2.2 Training**

ODPP has embarked human resources development through short term training for its employees so that they acquire new skills in their field of work. During the year under review, fourteen (14) employees underwent various training programmes within and outside Malawi. The courses were in the areas of accounting, records management and customer care.

### **3.2.3 HIV and AIDS Programme**

The Directorate developed a policy on HIV and AIDS in an effort to mainstream HIV and AIDS in the Workplace. Sensitisation was done through a workshop which was attended by all members of staff. It is the intention of the ODPP to implement regular interventions for the same purpose.

## **3.3 Procurement**

During the past year, ODPP carried out procurement of its own goods, works, and services worth approximately K23.8million. Most of the goods procured were office equipment and sundries.

## **3.4 Strategic Plan**

### **3.4.1 Development and Launching of the Strategic Plan**

In tandem with the strategic direction of the public sector, the ODPP took the initiative to develop its own Strategic Plan to address its needs and determine the direction for the future. The Plan was successfully developed using both internal and external expertise and covers the period between January 2006 and December 2008.

The Strategic Plan was officially launched by the Deputy Chief Secretary in the Office of the President and Cabinet (OPC) on 14<sup>th</sup> September 2006. All the activities of the ODPP are now governed by the Plan which is being implemented through a Steering Committee chaired by the Deputy Director.

### **3.4.2 Objective of the Strategic Plan**

The implementation of the Strategic Plan aims at achieving the following priorities:

- a) To improve and accelerate the implementation of the Public Procurement Act and regulations;
- b) To improve the coherence, co-ordination and efficacy of all government policies, regulations, procedures and practices that affect Public Procurement;
- c) To implement a comprehensive and credible programme to address procurement capacity gaps in the ODPP and other public institutions;
- d) To ensure coherence of the Strategic Plan and the budget;
- e) To ensure effective monitoring and evaluation of all public procurement; and
- f) To ensure mainstreaming of cross-cutting issues such as Gender, HIV and AIDS, Science and Technology, Human Rights and Good Governance.

The Strategic Plan will enable the ODPP to address the challenges as it transforms from its previous role of an implementer of public procurement reform programmes to that of an oversight, monitor and regulator with capacity to provide professional advice on procurement to public institutions. The ODPP will ensure that appropriate legal framework; procedures and policies are developed and implemented for effective delivery of procurement services.

## **3.5 INFORMATION TECHNOLOGY**

### **3.5.1 Collection and Database Creation**

In order to have an operational procurement reporting system in place, a procurement database has been created at the ODPP. Capturing of information has been much more systematic and up to date during the year. However, the office faced many cases of reluctance by some ministries and departments to submit quarterly reports to the ODPP. This has been a major challenge to the Office's intentions to create a healthy and useful database for future reference. In conjunction with the Monitoring and Enforcement Department of the ODPP, an activity was created to go out

and physically collect data from PEs to update the database and for the accuracy of the annual report.

### **3.5.2 Website Management**

The website has also continued to provide the ODPP with a medium for publishing various documents to the general public in its bid to promote transparency and accountability.

### **3.5.3 Procurement Reporting System**

The ODPP has during the year trained officers from different ministries and other government institutions in the use of the Procurement Reporting System which interfaces with the ODPP website. Through the Procurement Reporting System, the ODPP provided support to procuring entities wishing to advertise tenders on its website.

## **CHAPTER FOUR**

### **PROCUREMENT ACTIVITIES BY VARIOUS PROCURING ENTITIES DURING THE YEAR**

#### **4.1 Introduction**

One of the effects of implementing the Public Procurement Act is that procurement activities have been decentralized to public institutions. All decisions of procurement are made by procurement entities themselves through their Internal Procurement Committees (IPCs). The IPCs use information and research carried out by the Specialized Procurement Units (SPUs) which are composed of procurement specialists and are responsible for handling the day to day procurement activities of their institutions.

#### **4.2 Capacity Constraints**

There has been improvement in the staffing levels in procurement units of most public entities. However, capacity constraints in staff numbers, quality, training and knowledge continue to be a challenge. This is one of the reasons why it was very difficult for the ODPP to obtain appropriate data on procurement activities undertaken by the procuring entities. Other challenges include the fact that some entities have a number of sub- IPCs and information from these does not always reach the main IPC and the ODPP. Lack of equipment such as computers has also negatively contributed to the poor flow of data on procurement. Thus, there is a lot of information which may not be captured. Capacity constraints have resulted in poor record keeping, making it hard for entities to retrieve information on procurement required by the ODPP. In the year under review, the ODPP had to resort to physically visiting various procurement entities to obtain the procurement data. As a result, the number of entities that managed to submit their annual procurement reports to the ODPP increased to 170 entities from 82 in the previous year. The quality and coverage of procurement data has also improved. However despite several reminders and the initiative of the ODPP to visit them, there are currently some PEs that are simply unwilling or unable to submit information on their procurements. This contravenes the legal requirement that all public PEs must submit reports of their procurements to ODPP. Appendix 2 lists public procurement entities which did not submit their annual reports on procurement.

### **4.3 Value of procurement undertaken during the year**

During the year under review, procurement worth MK71.6 billion was undertaken by the 170 entities that submitted their annual reports. Out of total value of procurements recorded, MK47.7 billion were for goods, MK6.3 billion for services and MK17.5 for works representing 67%, 9% and 24% respectively (refer to Figure 1 below). Appendix 1 lists the entities that submitted the reports and their procurement values divided into goods, services and works.

Figure 1

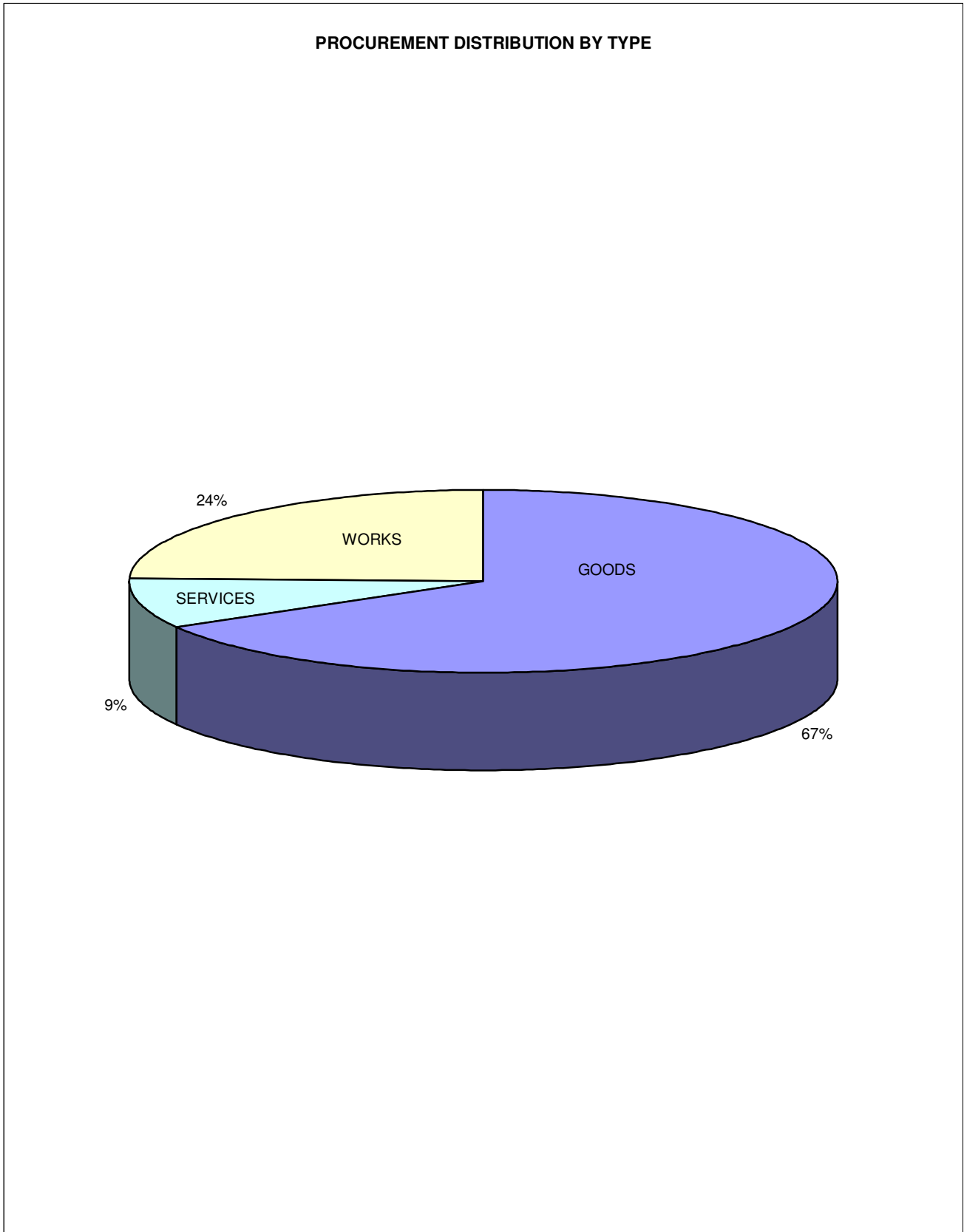
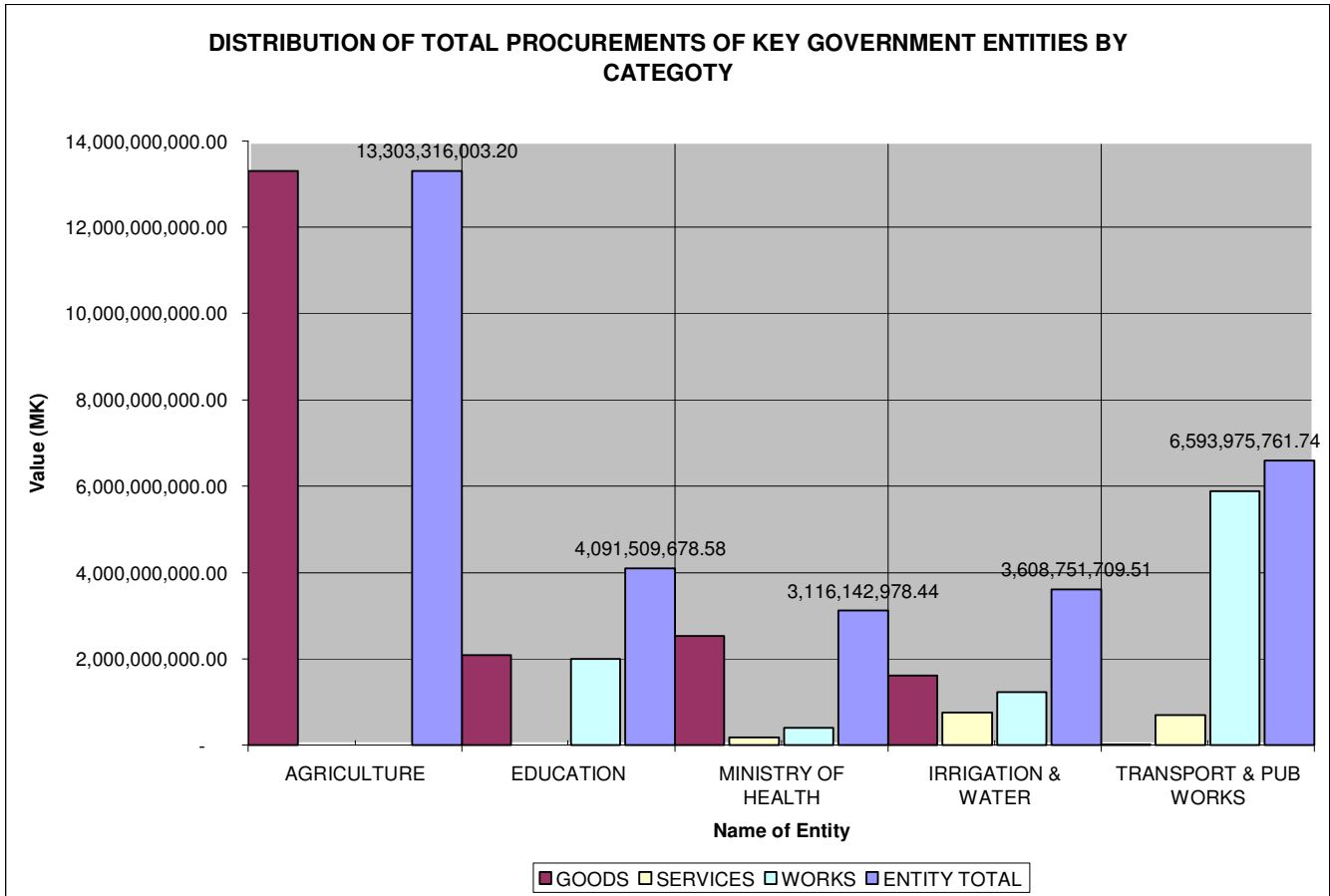




Figure 2 below depicts procurements undertaken by the largest government ministries during the year under review.

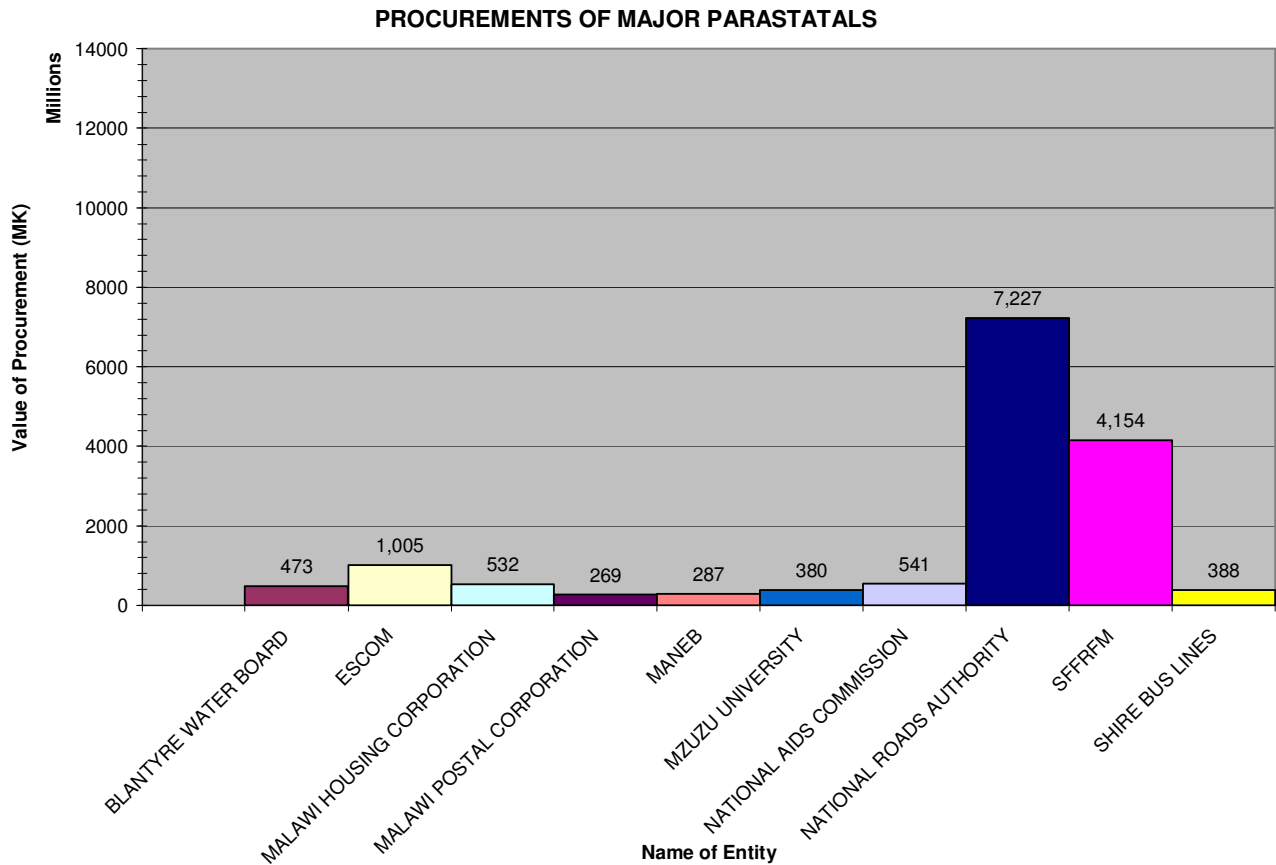


From the chart above, procurement of goods dominated procurements undertaken by the above ministries during the year under review except the Ministry of Transport and Public Works where procurement of works dominated.

Figure 3 below shows procurement expenditure by some Statutory Corporations that submitted their reports to the ODPP. For example the National Roads Authority (NRA) reported procurement expenditure of MK13 billion, followed by the SFFRFM with expenditure of MK7 billion.

Generally, the quality of data from the Statutory Corporations is much better than that from government Ministries and Departments. This is because they have created Specialised Procurement Units with properly qualified procurement experts.

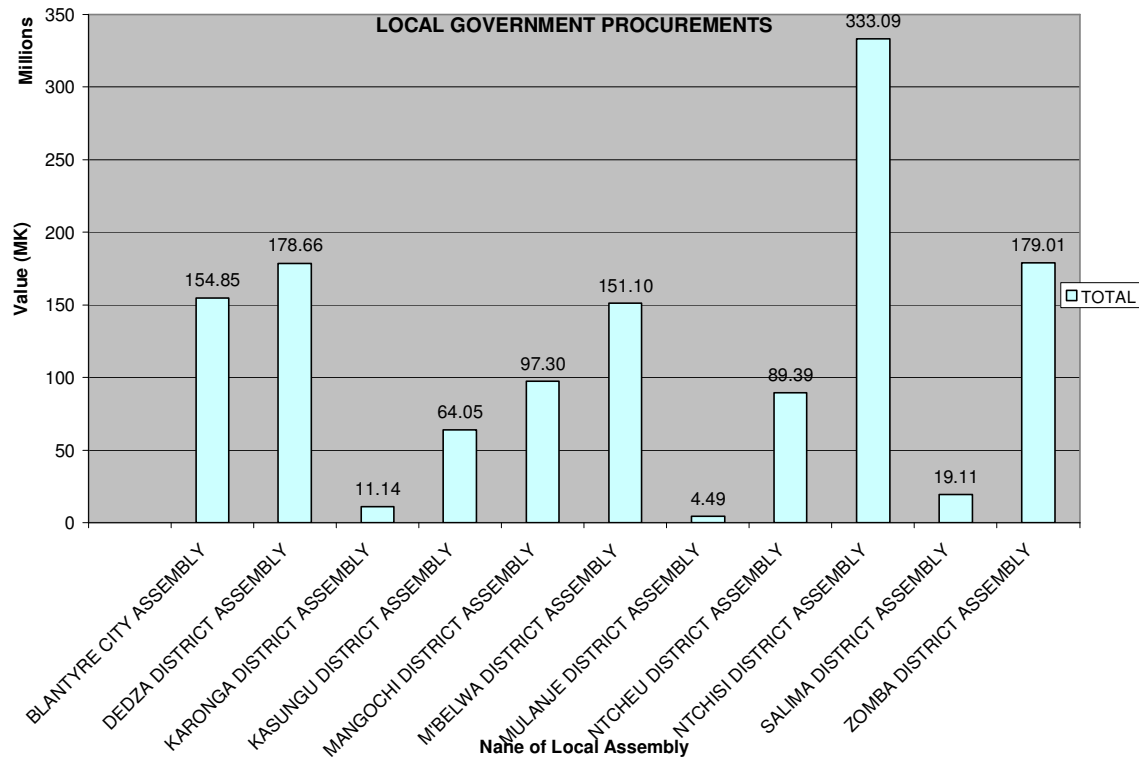
Figure 3



#### 4.7 Procurement at district and local assemblies

With the implementation of the decentralization policy, local assemblies are required to undertake their own procurement activities. The challenges of capacity in the assemblies are even more acute because there are no established positions for procurement personnel in the assemblies. Nevertheless, there was considerable improvement in submission of procurement reports from local assemblies compared to the previous year. All local assemblies except town councils (see appendix 1) managed to submit their annual procurement reports. Figure 4 shows procurement undertaken by the assemblies who submitted their reports. The difference in procurement values reported amongst the assemblies is partly a reflection of the different abilities by the assemblies to adequately report on all their procurements.

Figure 4



#### 4.8 Electronic procurement reporting

With financial support from the World Bank and UNDP, the ODPP intends to connect more than 100 public procurement entities to the main server at ODPP. Coupled with the establishment of positions for procurement cadre in the civil service and the various capacity building programs being conducted by the ODPP, it is expected that both coverage and quality of data collected on procurement activities will significantly improve in our future reports.

## **CHAPTER FIVE**

### **CHALLENGES AND WAY FORWARD**

#### **5.0 Introduction**

There have been challenges that the Directorate has faced during the year under review. Some of these challenges include:

#### **5.1 Shortage of qualified personnel**

Procurement is a new area of technical expertise in Malawi. It is a profession that is only just being promoted in the country and it does not yet have the numbers of properly qualified experts to adequately meet the demands from various institutions including the ODPP as a regulator.

There is need for continuous training and exposure in the region and overseas to learn how other countries are handling procurement reforms and capacity challenges. The long and short term training programmes which the 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.

It is the intention of the ODPP that all vacant positions in its establishment should be filled. As a regulator, the ODPP has at times not been able to cope with the expectations and needs of the PEs because of inadequate personnel. Virtually all the departments of the Directorate have insufficient staff. For instance, the Regulatory, Review and Advisory department which has three sections had only the head of department during the 2006/07 financial year as the other members of the department were in the United Kingdom pursuing further studies. This affected the output and quality of the work.

#### **5.2 Lack of adequate financial resources**

Limited financial capacity is another serious challenge that can derail or delay the procurement reforms in the country. With injection of further donor support and sufficient budgetary allocation, the reforms can succeed given the commitment of the ODPP.

### **5.3 Lack of adequate office space**

As the ODPP continues to fill vacant posts in its establishment in order to carry out its functions, the Office is faced with the problem of lack of adequate office space at its current base. This may eventually result in failure to sustain the number of staff and the skills required to effectively and efficiently carry out the oversight, monitoring and regulatory functions in Malawi.

### **5.4 Non Compliance with requirement to submit Quarterly Reports and Procurement Plans**

Since the enactment of the Public Procurement Act in 2004, the ODPP has struggled to receive quarterly procurement reports and procurement plans from the entities as per the requirements of the Act under Section 40. These submissions form an integral part of ODPP's Annual Report and it has been extremely taxing on the part of the Directorate to compile the annual report in time.

Besides sheer disregard on the part of some PEs, others have not been able to comply with this requirement because they have no capacity (no proper structure or qualified personnel) to produce proper reports. The ODPP has been providing guidance through circulars, sensitisation meetings, training and monitoring activities. It is anticipated that with adequate personnel in the Monitoring and Enforcement Department and the establishment of the Procurement Reporting System the situation shall improve.

### **5.5 Poor record management in entities**

ODPPs reporting and monitoring functions are affected by the manner in which PEs keep their procurement records. The record and filing system displayed in the majority of PEs remain unsatisfactory and require significant improvement. Where files exist, they are almost always incomplete. Where records are available, they are unsystematic since the entities file according to document type or using combination of different and inconsistent methods. To address this problem, there is need for the PEs to train their procurement staff in records management to appreciate and understand the advantages and disadvantages of different filing systems. The ODPP has already developed a module on record keeping for its professional development programs.

It is essential that record keeping procedures at the PEs be reviewed and consolidated. While, for example, payment records are an integral part of the procurement records, they are in many cases kept only in the Accounts or Finance department. Procurement records can be derived from those in Accounts or Finance department if they included records of the whole procurement process including payment. Inconsistency in record management makes PEs fail to submit their regular reports to the ODPP on time. This in turn affects ODDP's ability to produce its annual report on time as required by the Public Procurement Act.

## **5.6 Overpricing of goods, works and services by bidders**

Suppliers, contractors and consultants are in business to make profit and will employ many strategies including bribery and corruption to maximise their income. Government and its institutions are the biggest consumers of goods, services and works in the country and therefore obvious targets for suppliers and service providers. Those who have authority to make and implement procurement decisions for the public sector hold the key to the survival and profitability of the suppliers and service providers. Such officers are subjected to continuous pressure by suppliers and service providers to make decisions in their favour and are often offered financial and material incentives in order to do so. The supplier or service provider has to recover the cost of such incentives (corruption) by increasing the price or reducing the quality of the goods or services on offer. In addition, the supplier or service provider can increase their profit margin beyond industry standards, to maximise their income, once they have secured the commitment of decision makers to award contracts to them. In the absence of the legal framework and proper procedures for public procurement, there has been a proliferation of suppliers and service providers who overcharge Government and public institutions in order that they make excessive profits or to recover the cost of corrupting officers involved in public procurement decision making. Unfortunately, government institutions have had a reputation of not settling payments due to suppliers after receiving bona fide goods, works and services. Suppliers, contractors and consultants dealing with Government have had to hedge against losses arising from the cost of finance by overpricing their goods, works and services.

The implementation of the Public Procurement Act from the time the ODPP was made operational in 2004 has resulted in complete transformation of the methods of procurement. Public institutions which

fully adhere to the procedures derived from the Act cannot be exploited by suppliers and service providers nor can decision makers be induced to award contracts through bribery and corruption. The key to elimination of exploitation and corruption lies in the requirement for complete transparency in procurement activities, genuine opportunity for all potential suppliers and service providers to compete for contracts and capacity of the institutions to honour their financial obligations. Once exploitation and corruption are eliminated, public institutions will be assured that they are acquiring high quality goods, works and services at the best possible prices, therefore deriving true value for money.

Transparency and wide spread supplier opportunity are enshrined in the Act by the requirement that selection of service providers for all contracts for supply of goods, consultancy and works must be by open tender. Public institutions are compelled by the Act to publish all their procurement needs so that all potential suppliers and service providers can apply and participate. In addition, the Act requires that public institutions must publish information when they have awarded the contracts so that any service provider or bidder who has concerns about such awards has an opportunity to present them to the institution and the ODPP for possible redress. Transparency is also achieved since the Act compels institutions to have Internal Procurement Committees that are the only body empowered to make procurement decisions. The Act does not allow any single person in public institutions, no matter what rank they are, to have authority to make procurement decisions on their own.

The issue about financial capacity to conduct procurement and settle the resulting invoices is also addressed in the Act by compelling Internal Procurement Committees (IPC) in public institutions to only award contracts when they have verified their capacity to pay for them. It is mandatory that members of IPC includes a Finance person with detailed knowledge of the budget and cash flow to make sure that no procurement is conducted until it can be paid for.

The challenge for the ODPP and other government institutions is to instil the discipline of using the procedures and processes that are acceptable according to the Law. It is a significant challenge because prior to the reforms, procurement was conducted in a chaotic manner and it provided vast opportunities for those in authority and the procurement decision makers to personally benefit financially and materially at the expense of the state. Suppliers and service providers with clout and financial capacity

had a monopoly in government contracts and kept the competition out by ensuring that opportunities for participation in government contracts were not available to the potential competitors. The reforms are designed to change the scenario of chaos and reduce the opportunities for personal gratification and monopoly. Those who benefited from the process prior to reforms have naturally been resistant to them and some have been actively campaigning to derail them or to reduce their effect by giving all kinds of reasons justifying that the reforms have no value and are of no use.

Overpricing of goods, works and services is virtually impossible when government ministries, departments and other public institutions use the provisions of the Public Procurement Act strictly. The open tender method of procurement compels suppliers to be careful in pricing their services because they are made aware that they will be compared with a very wide range of competitors. Public institutions that insist on using procurement methods other than those prescribed in the Act are at risk of procuring their needs at prices above expectation that can attract suspicion, audit queries and even investigations for possible corruption. The Request for Quotation (RFQ) method of procurement is the most used one by institutions and the most risky. The Act recognises that this method is necessary for low level, high frequency procurement and the ODPP has provided clear guidelines for the use of RFQ. Institutions that use the RFQ method without following the guidelines are doing so deliberately due to resistance to change and lack of planning. Such institutions are the target of the ODPP for capacity improvement to conduct proper procurement, intensive monitoring and enforcement, procurement audit, and possible recommendation for sanctions in the event that there is deliberate and repetitive violation of the Act.

## **5.7 Continued Financial Support**

5.7.1 The procurement reforms outlined above would not have been possible without the support of our cooperating partners, particularly the World Bank. Continued successful implementation of the programme will therefore heavily depend on financial support from these donors. The Government has also realised the importance of these procurement reforms and has been increasing the allocation to the Directorate every year. It is hoped that this good will amongst the donors and government will continue.



## **APPENDICES**

1. Procurement Undertaken by all Procuring Entities during the Year
2. List of non-complying Institutions
3. Circulars issued by the Director of Public Procurement
  1. Registration of Suppliers of Goods and Services for 2006-07 financial year
  2. Use of Bid Bonds
  3. Submission of Procurement Plans for 2006-07 financial year
  4. Submission of Quarterly Reports
  5. Purchasing Limits for Government Institutions
  6. External Members of Internal Procurement Committees

## APPENDIX 1

### ANNUAL PROCUREMENT FIGURES PER ENTITY 2006-07

	<b>PROCURING ENTITY</b>	<b>GOODS</b>	<b>SERVICES</b>	<b>WORKS</b>	<b>ENTITY TOTAL</b>
1	ACCOUNTANT GENERAL	46,217,261.83	22,239,334.29	1,224,780.86	<b>69,681,376.98</b>
2	ADMARC	60,194,265.30	16,635,680.00	1,904,170.00	<b>78,734,115.30</b>
3	AIR MALAWI	11,820,413.00	7,727,203.92		<b>19,547,616.92</b>
4	AIRPORT DEVELOPMENT LIMITED	12,850,000.00	4,474,059.90	182,399,960.02	<b>199,724,019.92</b>
5	ANTI - CORRUPTION BUREAU	32,487,071.89	14,302,273.53	7,521,780.83	<b>54,311,126.25</b>
6	BALAKA DISTRICT ASSEMBLY	13,687,722.64	1,961,647.78	658,594.00	<b>16,307,964.42</b>
7	BLANTYRE ADD	14,676,541.84	2,516,706.18	159,223.12	<b>17,352,471.14</b>
8	BLANTYRE CITY ASSEMBLY	111,940,758.43	-	42,905,120.00	<b>154,845,878.43</b>
9	BLANTYRE DISTRICT ASSEMBLY	30,019,077.09	3,459,164.40	108,151,613.59	<b>141,629,855.08</b>
10	BLANTYRE WATER BOARD	414,797,850.18	27,149,277.91	31,481,692.29	<b>473,428,820.38</b>
11	BUNDA COLLEGE OF AGRICULTURE	69,263,143.47	-		<b>69,263,143.47</b>
12	BVUMBWE RESEARCH STATION	10,393,835.25			<b>10,393,835.25</b>
13	CENTRAL GOVERNMENT STORES	3,663,190.00	-		<b>3,663,190.00</b>
14	CENTRAL MEDICAL STORES	13,849,836,215.83	79,886,567.00	878,498.00	<b>13,930,601,280.83</b>
15	CENTRAL REGION WATER BOARD	107,274,312.96	26,583,559.27	4,500.00	<b>133,862,372.23</b>
16	CHAM	102,179,000.00	-		<b>102,179,000.00</b>
17	CHANCELLOR COLLEGE	291,131,579.52	26,454,670.00	2,189,154.80	<b>319,775,404.32</b>
18	CHIKWAWA DISTRICT ASSEMBLY	47,708,726.63	1,525,226.09	8,713,221.18	<b>57,947,173.90</b>
19	CHIRADZULU DISTRICT ASSEMBLY	16,625,609.02	1,897,155.00	1,338,989.50	<b>19,861,753.52</b>
20	CHITIPA DISTRICT ASSEMBLY	86,218,092.83	-		<b>86,218,092.83</b>
21	CIVIL AVIATION	13,245,111.78	4,723,240.79	23,288,316.08	<b>41,256,668.65</b>
22	COLLEGE OF MEDICINE	106,244,318.96	88,938,286.94	2,178,712.26	<b>197,361,318.16</b>
23	COMM BASED RURAL LAND DEV. PRJ	44,389,404.79	10,408,639.90		<b>54,798,044.69</b>
24	DEDZA DISTRICT ASSEMBLY	152,737,177.91	23,979,511.00	4,383,738.43	<b>181,100,427.34</b>
25	DEMAT	10,960,270.00	-	12,295,892.64	<b>23,256,162.64</b>
26	DEPARTMENT OF ENVIRON. AFFAIRS		15,992,820.00	478,800.00	<b>16,471,620.00</b>
27	DHRMD	17,729,669.60	4,679,658.52	216,725.00	<b>22,626,053.12</b>
28	DEPARTMENT OF MARINE	1,475,359.38	-		<b>1,475,359.38</b>
29	DEPARTMENT OF SCIENCE & TECHN	15,892,534.49	3,200,000.00		<b>19,092,534.49</b>
30	DEPT. OF MARINE SERVICES	2,016,901.56			<b>2,016,901.56</b>
31	DEPT. OF SCIENCE & TECHNOLOGY	14,028,767.96	19,603,113.89		<b>33,631,881.85</b>
32	DIRECTOR OF BUILDINGS		-	5,299,682.40	<b>5,299,682.40</b>
33	DIRECTOR OF FISHERIES	1,905,960.00	-		<b>1,905,960.00</b>
34	DISTMS	40,975,468.12	22,491,863.85	3,690,608.13	<b>67,157,940.10</b>
35	DOMASI COLLEGE OF EDUCATION	135,215,246.50	4,724,087.90		<b>139,939,334.40</b>
36	DOWA DISTRICT ASSEMBLY	20,838,379.36	3,172,000.00	20,894,798.78	<b>44,905,178.14</b>
37	ESCOM	978,567,476.20	8,821,131.88	17,641,081.19	<b>1,005,029,689.27</b>
38	FIMTAP	20,984,856.21	12,205,553.83		<b>33,190,410.04</b>
39	GOVERNMENT PRINT	15,681,511.83	-	27,381,326.00	<b>43,062,837.83</b>
40	HEALTH SERVICES COMMISSION	736,115.26	-		<b>736,115.26</b>
42	IMMIGRATION DEPARTMENT	5,664,659.68	-		<b>5,664,659.68</b>
43	JUDICIARY	3,575,154.00	-		<b>3,575,154.00</b>
44	KAMUZU CENTRAL HOSPITAL	54,058,635.95	10,436,700.00		<b>64,495,335.95</b>
45	KAMUZU COLLEGE OF NURSING	57,006,697.57	4,386,200.00		<b>61,392,897.57</b>
46	KARONGA ADD	23,543,390.19	-		<b>23,543,390.19</b>

47	KARONGA DISTRICT ASSEMBLY	10,314,058.75	3,165,750.00		<b>13,479,808.75</b>
48	KARONGA TOWN ASSEMBLY	778,532.50			<b>778,532.50</b>
49	KASUNGU ADD	8,255,034.35			<b>8,255,034.35</b>
50	KASUNGU DISTRICT ASSEMBLY	64,046,505.42	-		<b>64,046,505.42</b>
51	KASUNGU TOWN ASSEMBLY	9,653,023.42	-		<b>9,653,023.42</b>
52	LAW COMMISSION	10,428,145.00	13,577,207.92		<b>24,005,352.92</b>
53	LIKOMA DISTRICT ASSEMBLY	1,863,305.00	-	988,000.00	<b>2,851,305.00</b>
54	LILONGWE ADD	360,000.00	-		<b>360,000.00</b>
55	LILONGWE CITY ASSEMBLY	9,778,982.56	219,413,060.69		<b>229,192,043.25</b>
56	LILONGWE DISTRICT ASSEMBLY	73,326,220.20	-	1,992,000.00	<b>75,318,220.20</b>
57	LILONGWE WATER BOARD	506,638,956.21	9,264,413.78	17,036,484.26	<b>532,939,854.25</b>
58	LIWONDE TOWN ASSEMBLY	1,395,334.50			<b>1,395,334.50</b>
59	MACHINGA ADD	9,116,588.59			<b>9,116,588.59</b>
60	MACHINGA DISTRICT ASSEMBLY	22,091,976.87	22,942,550.29		<b>45,034,527.16</b>
61	MACOHA	1,789,975.00	-	-	<b>1,789,975.00</b>
62	MACRA	30,765,263.19	11,207,513.00		<b>41,972,776.19</b>
63	MALAWI BUREAU OF STANDARDS	25,133,990.80	8,573,057.43	5,890,439.50	<b>39,597,487.73</b>
64	MALAWI COLLEGE OF ACCOUNTANCY	40,563,724.82	41,565,298.58	3,470,252.52	<b>85,599,275.92</b>
65	MALAWI COL. OF HEALTH SCIENCES	97,478,631.85	10,351,382.50		<b>107,830,014.35</b>
66	MALAWI ELECTORAL COMMISSION	4,371,697.28			<b>4,371,697.28</b>
67	MALAWI GAMING BOARD	30,907,164.44	13,756,054.96	15,000,000.00	<b>59,663,219.40</b>
68	MALAWI HOUSING CORPORATION	163,030,839.58	231,737,907.28	137,030,440.08	<b>531,799,186.94</b>
69	MALAWI HUMAN RIGHTS COMMISSION	317,737.85	350,250.00		<b>667,987.85</b>
70	MALAWI INSTITUTE OF EDUCATION	51,006,722.29	5,635,017.86		<b>56,641,740.15</b>
71	MALAWI INSTITUTE OF MANAGEMENT	7,733,549.32	7,559,123.54	160,230.00	<b>15,452,902.86</b>
72	MALAWI INVEST PROMOTION AGENCY	10,936,000.00	-		<b>10,936,000.00</b>
73	MALAWI NATIONAL SPORTS COUNCIL	1,640,115.00	-		<b>1,640,115.00</b>
74	MALAWI POLICE SERVICE	130,652,411.77	8,426,434.49		<b>139,078,846.26</b>
75	MALAWI POSTS CORPORATION	268,750,487.49	-		<b>268,750,487.49</b>
76	MALAWI PRISON SERVICE	84,334,222.03	-		<b>84,334,222.03</b>
77	MALAWI REVENUE AUTHORITY	157,435,694.51	133,000.00	2,292,970.00	<b>159,861,664.51</b>
78	MALAWI RURAL FINANCE COMPANY	117,341,829.02	28,126,332.74		<b>145,468,161.76</b>
79	MANEB	176,728,110.94	110,721,400.20		<b>287,449,511.14</b>
80	MANGOCHI DISTRICT ASSEMBLY	55,460,566.75	-	41,842,663.01	<b>97,303,229.76</b>
81	MARDEF	4,382,029.00	-		<b>4,382,029.00</b>
82	MASAF	595,498,052.45	241,416,417.85		<b>836,914,470.30</b>
83	MCHINJI DISTRICT ASSEMBLY	14,700,808.48	5,925,923.40	22,541,231.30	<b>43,167,963.18</b>
84	MEDI	57,306,067.17	3,344,806.61	12,547,627.78	<b>73,198,501.56</b>
85	MEDICAL COUNCIL OF MALAWI	4,529,370.34	3,486,527.31		<b>8,015,897.65</b>
86	MINISTRY OF AGRICULTURE	13,301,960,640.20	1,355,363.00		<b>13,303,316,003.20</b>
87	MINISTRY OF COMMERCE & INDUSTR		7,513,000.00		<b>7,513,000.00</b>
88	MINISTRY OF DEFENCE	93,804,705.72	65,214,839.38	177,880,425.00	<b>336,899,970.10</b>
89	MINISTRY OF DISASTER & RELIEF	4,800,250.20	-		<b>4,800,250.20</b>
90	MINISTRY OF ECON. PLANNING & DEV	23,906,102.38			<b>23,906,102.38</b>
91	MINISTRY OF EDUCATION	2,082,053,797.01	1,934,908.00	2,007,520,973.57	<b>4,091,509,678.58</b>
92	MINISTRY OF ENERGY & MINES	203,760,507.74	137,333,097.54	8,031,226.00	<b>349,124,831.28</b>
94	MINISTRY OF FINANCE - TREASURY	4,203,259.25	2,100,580.00		<b>6,303,839.25</b>
95	MINISTRY OF FOREIGN AFFAIRS		-	9,000,000.00	<b>9,000,000.00</b>
96	MINISTRY OF GENDER		3,787,553.50		<b>3,787,553.50</b>
97	MINISTRY OF HEALTH	2,535,760,271.84	181,870,456.69	398,512,249.91	<b>3,116,142,978.44</b>

98	MINISTRY OF HOME AFFAIRS	12,675,417.94	-		<b>12,675,417.94</b>
99	MINISTRY OF IRRIGATION & WATER	1,619,364,424.02	758,583,052.16	1,230,804,233.33	<b>3,608,751,709.51</b>
100	MINISTRY OF JUSTICE	56,178,345.65	-		<b>56,178,345.65</b>
101	MINISTRY OF LABOUR	7,585,550.00	-		<b>7,585,550.00</b>
102	MINISTRY OF LANDS	41,851,540.26	1,598.00	1,668,646.00	<b>43,521,784.26</b>
103	MINISTRY OF LOCAL GOVERNMENT	38,233,878.92	3,155,717.74	48,243,929.36	<b>89,633,526.02</b>
104	MINISTRY OF PEOP. WITH DISABILIT.	15,763,964.00	-		<b>15,763,964.00</b>
105	MINISTRY OF SPORTS & CULTURE	2,391,344.38	456,016.18	7,036,986.00	<b>9,884,346.56</b>
106	MINISTRY OF TOURISM	43,653,031.20	33,967,830.92	88,848,953.75	<b>166,469,815.87</b>
107	MINISTRY OF TRANSP & PUB WORKS	15,858,712.94	697,180,098.80	5,880,936,950.00	<b>6,593,975,761.74</b>
108	MINISTRY OF WOMEN	35,791,037.69			<b>35,791,037.69</b>
109	MINISTRY OF YOUTH	47,393,089.66	-	134,070,429.07	<b>181,463,518.73</b>
110	MIRTDC	9,017,224.48	2,754,933.61	121,127.66	<b>11,893,285.75</b>
111	MMBELWA DISTRICT ASSEMBLY	126,967,257.57	19,935,608.19	4,193,328.20	<b>151,096,193.96</b>
112	MULANJE DISTRICT ASSEMBLY	2,908,745.00	1,577,500.00		<b>4,486,245.00</b>
113	MWANZA DISTRICT ASSEMBLY	3,263,045.50	-	1,279,962.00	<b>4,543,007.50</b>
114	MZUZU ADD	8,869,425.66	861,982.14	32,287.50	<b>9,763,695.30</b>
115	MZUZU CENTRAL HOSPITAL	29,474,315.00	1,913,150.00		<b>31,387,465.00</b>
116	MZUZU CITY ASSEMBLY	28,216,406.06			<b>28,216,406.06</b>
117	MZUZU UNIVERSITY	362,111,905.01	8,833,345.59	8,648,018.60	<b>379,593,269.20</b>
118	NATIONAL AIDS COMMISSION	72,076,306.68	469,286,714.37		<b>541,363,021.05</b>
119	NATIONAL ASSEMBLY	135,286,525.85	72,786,101.79		<b>208,072,627.64</b>
120	NATIONAL AUDIT OFFICE	44,044,094.32	13,974,090.88	400,000.00	<b>58,418,185.20</b>
121	NATIONAL COUNCIL OF SPORTS	39,516,678.00			<b>39,516,678.00</b>
122	NATIONAL FOOD RESERVE AGENCY		60,000.00		<b>60,000.00</b>
123	NATIONAL LOTTERIES	6,375,500.00			<b>6,375,500.00</b>
124	NATIONAL RESEARCH COUNCIL	11,804,328.73			<b>11,804,328.73</b>
125	NATIONAL ROADS AUTHORITY	99,149,962.50	1,482,638,251.18	5,645,156,924.44	<b>7,226,945,138.12</b>
126	NATIONAL ROADS SAFETY COUNCIL	22,994,242.28	804,323.06		<b>23,798,565.34</b>
127	NATIONAL STATISTICS OFFICE	51,144,448.88	1,646,618.02	14,800.00	<b>52,805,866.90</b>
128	NENO DISTRICT ASSEMBLY	2,344,730.00	-		<b>2,344,730.00</b>
129	NKHATA-BAY DISTRICT ASSEMBLY		-	944,560.00	<b>944,560.00</b>
130	NKHOTA-KOTA DISTRICT ASSEMBLY	8,669,468.23	4,096,320.65	7,917,514.25	<b>20,683,303.13</b>
131	NORTHERN REGION WATER BOARD	36,294,073.45	950,000.00		<b>37,244,073.45</b>
132	NSANJE DISTRICT ASSEMBLY	77,918,454.99	12,852,362.70	61,489,446.00	<b>152,260,263.69</b>
133	NTCHEU DISTRICT ASSEMBLY	72,178,789.99	17,208,287.50		<b>89,387,077.49</b>
134	NTCHISI DISTRICT ASSEMBLY	324,032,673.86		9,059,607.61	<b>333,092,281.47</b>
135	NURSES & MIDWIVES COUN OF MW	50,427,653.35	-		<b>50,427,653.35</b>
136	ODPP	23,790,904.51			<b>23,790,904.51</b>
137	OFFICE OF PRESIDENT & CABINET	198,092,431.71	177,031,127.70	167,890.00	<b>375,291,449.41</b>
138	OFFICE OF VICE PRESIDENT		-	1,414,457.66	<b>1,414,457.66</b>
139	OMBUDSMAN	37,636,777.50	-		<b>37,636,777.50</b>
140	P.V.H.O.	125,825,043.21	15,956,500.00		<b>141,781,543.21</b>
141	PAEC		1,418,201.00		<b>1,418,201.00</b>
142	PETROLIUM CONTROL COMMISSION	827,062.58			<b>827,062.58</b>
143	PHALOMBE DISTRICT ASSEMBLY	990,000.00	-	2,505,170.50	<b>3,495,170.50</b>
144	PHARM, MEDICN & POISONS BOARD	39,316,298.00	4,405,220.85		<b>43,721,518.85</b>
145	POLYTECHNIC	151,891,167.12	73,119,179.74	8,817,884.23	<b>233,828,231.09</b>
146	PRIVATISATION COMMISSION	55,423,765.63	52,414,100.50	1,988,999.00	<b>109,826,865.13</b>
147	QUEEN ELIZABETH CENTRAL HOSPIT	295,463,354.61	76,778,145.88	10,827,043.47	<b>383,068,543.96</b>



## **APPENDIX 2**

### **LIST OF NON-COMPLYING INSTITUTIONS**

1. Ministry of Trade and Private Sector Development, Gemini House
2. Ministry of Statutory Corporations, Gemini House, City Centre
3. The Commander of Malawi Army
4. The Inspector General of Police, Area 30
5. Forestry Department
6. Secretary for Poverty and Disaster Management Affairs
7. Director of Internal Audit Services, Finance
8. The Secretary for Civil Service Commission
9. The Road Traffic Directorate
10. National Local Government Finance Committee
11. Prisons Services
12. Staff Development Institute, Mpemba
13. National Public Events
14. Agriculture and Extension Trust (ARET)
15. Copyright Society of Malawi, Lilongwe
16. National Construction Industry Council
17. Malawi Broadcasting Corporation (MBC)
18. TEVETA
19. Censorship Board
20. National Sports Council of Malawi
21. Salima Town Council
22. Balaka Town Council
23. Mangochi Town Council
24. Luchenza Town Council
25. Electricity Council of Malawi, Blantyre
26. Copyright Society of Malawi, Lilongwe
27. Malawi Rural Development Fund (MARDEF)

## **APPENDIX 3**

### **CIRCULARS ISSUED BY THE OFFICE OF PUBLIC PROCUREMENT**

**Ref. No. ODPP/01/19/26**

**6<sup>th</sup> September 2006**

**FROM:** THE DIRECTOR OF PUBLIC PROCUREMENT, P/ BAG 383,  
LILONGWE

**TO :** ALL CONTROLLING OFFICERS, HEADS OF  
DEPARTMENTS AND CHIEF EXECUTIVES OF PARASTATAL  
ORGANIZATIONS

**CC :** The Chief Secretary, Office of the President and Cabinet,  
Private Bag 301, Lilongwe 3.

**:** The Chief Executive, National Construction Industry  
Council, P/Bag A146, Lilongwe.

**:** The Accountant General, P.O. Box 30140, Lilongwe 3.

**:** The Auditor General, National Audit Office, P.O. Box 30045,  
Lilongwe 3.

#### **REGISTRATION OF SUPPLIERS OF GOODS AND SERVICES: 2006/2007 FINANCIAL YEAR**

The Directorate of Public Procurement is pleased to announce that it has now finalized preparation of the final list of registered suppliers of goods and services for the 2006/2007 financial year, which is attached for your use. The main list was already published in the press and Government gazette for the information of the general public. However, an addendum which is also attached, has been prepared and will soon be published.

2. For works, the list of registered contractors can be obtained from the National Construction Industry Council (NCIC).
3. The Public Procurement Act 2003 provides that public procurement shall be realized by means of open tendering proceedings and the registration lists; (either for

works, goods or services) are to be used in procuring goods, works and services under the following circumstances:

- (a) The goods should be in the NIV (Not In Vocabulary) category i.e. the goods should not be available at the relevant stores controllers and where permission has been granted by the relevant stores controller to procure these goods from other sources. The Stores Controllers referred to herein are as follows:
  - The Controller of Printing Services;
  - The Controller of Stores;
  - The Controller of Plant and Vehicles, and
  - The Controller of Central Medical Stores.
- (b) In emergency situations, and
- (c) In cases where the cost of tendering would be disproportionate to the cost of goods, works or services to be obtained.

4. It is important to note that this list shall only be used for Request for Quotations (RFQ) and other non-open tendering methods of procurement. It is also equally important to note that all procurement under open tendering method shall be open to all suppliers of goods, works and services. A contract to provide a service shall **only** be awarded to a registered supplier/contractor as provided for by the law.

5. The procurement thresholds to be followed by each public institution will be determined from time to time by the Director of Public Procurement. For those parastatal organizations which compile their own registers of suppliers, it is important that the registration lists are sent to this office for information and reference.

6. All procuring entities are encouraged to use this list in their zones. However, where no supplier, contractor or consultant has the ability to supply the goods or undertake the specified works or provide the service, prior permission shall be sought from this Office to source from outside the designated zone or outside the list.

7. Procuring entities are strongly advised to keep a record of performance of the registered suppliers that they deal with and report any poor performance to this Office, on a quarterly basis, for appropriate action. If there are suppliers who for one reason or the other should not have been registered by this Office, such information should be passed on to this Office for appropriate action.



8. This circular supersedes any previous circulars in relation to **pre-qualification for suppliers** of goods and services.

9. Should there be any questions on the contents of this circular or the list, please do not hesitate to contact my office.

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

**Ref. No. ODPP/01/22**

**6<sup>th</sup> September, 2006**

FROM: THE DIRECTOR, OFFICE OF PUBLIC PROCUREMENT,  
P/BAG 383, LILONGWE 3.

TO : ALL PRINCIPAL SECRETARIES, HEADS OF DEPARTMENTS  
AND HEADS OF ALL OTHER PUBLIC INSTITUTIONS

CC : The Chief Secretary, Office of the President and Cabinet,  
P/Bag 301, Lilongwe 3.

: The Secretary to the Treasury, P.O. Box 30049, Lilongwe 3.

: The Auditor General, P.O. Box 30045, Lilongwe 3.

### **USE OF BID BONDS**

It has come to my attention that the use of bid bonds is being abused by most procuring entities.

I have noted that some procuring entities finalise processing tenders long after the expiry of the bid validity period, in some cases, even after such bid bonds had been extended. What is more disturbing is the fact that the bid bonds are not returned to the owners timely following an award of contract. This is unacceptable and the practice must stop forthwith.

I would like to remind you that a bid bond is a cost to the contractor/supplier, which attracts interest and this grows during the period the bid bond is with the procuring entity. It is for this reason that it is important that bid bonds are kept for the period indicated in the bid document and returned to the owners as soon as the tender has been finalized.

Procuring entities are hereby reminded to stick to agreed conditions on bid bonds as stated in the bid document issued to bidders so as not to put contractors/suppliers in unnecessary financial hardships. In normal circumstances, bid bonds are supposed to be valid for 28 days after bid validity period or for such a reasonable period as determined by the procuring entities and in accordance with Regulation 50 of the Procurement Regulations. This is to give a chance to the procuring entities to complete the procurement proceedings. Holding on to bid bonds after this period is not only

unfair to suppliers but also shows lack of seriousness in the way procurement is conducted in the various institutions.

I wish to appeal to you all to improve on this aspect and ensure that the provisions of the law are strictly adhered to. This will ensure that bidders are not unnecessarily put at a financial disadvantage.

I would be grateful if the contents of this letter can be brought to the attention of those dealing with procurement in your institution, i.e., members of the Internal Procurement Committees (IPCs) and Specialised Procurement Units (SPUs)/Procurement Units (PUs).

Your cooperation will be greatly appreciated.

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

**Ref. No. ODPP/03/01**

**21<sup>st</sup> September, 2006**

**FROM : THE DIRECTOR, OFFICE OF PUBLIC PROCUREMENT,  
PRIVATE BAG 383, LILONGWE 3.**

**TO : ALL CONTROLLING OFFICERS AND HEADS OF  
DEPARTMENTS, CHIEF EXECUTIVES OF STATUTORY  
CORPORATIONS AND OTHER PUBLIC INSTITUTIONS.**

**SUBMISSION OF PROCUREMENT PLANS FOR THE 2006/2007 FINANCIAL  
YEAR**

You will recall that Section 21 of the Public Procurement Act requires procuring entities to draw-up procurement plans with a view to achieving maximum value from public expenditures in accordance with budgetary provisions. These Procurement Plans are supposed to be prepared by each Procuring Entity during the budget preparation process and this is amplified in regulations 22, 23 and 24 of the Procurement Regulations.

On 11<sup>th</sup> October, 2005, I issued a similar circular letter advising all public institutions to submit procurement plans for the 2005/2006 financial year to this Office as one way of enforcing good financial management principles. The response was, to say the least, very disappointing. This activity is supposed to be done annually and without my office reminding you of this requirement.

Procurement Plans are an integral part of the whole procurement process and any procurement in any institution outside the plan is not acceptable. It has been observed that this function is ignored by most institutions despite a clear legal mandate from the Public Procurement Act and its accompanying regulations. This has led to Internal Procurement Committees (IPCs) conducting procurement haphazardly without first considering what financial provisions were made in the budget for such procurement. Clearly an expenditure arising from such procurement is illegal and unprocedural and this should not be accepted as it usually leads to poor financial management.

Once again you are all requested to submit to this Office your institution's **procurement plans** for the whole 2006-2007 financial year by 31<sup>st</sup> October 2006. Your submissions for prior review will only be considered if such procurements are from the procurement plans.

Please be informed that with effect from December, 2006, all requests for prior review for procurement activities that are not budgeted for and/or included in your procurement plans will not be considered. There will be no negotiation on this.

Lastly, but not least, I would like to appeal to you all to treat this exercise with the urgency and importance it deserves and to submit these plans to my Office by the due date without fail.

I appreciate your usual cooperation.

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

- CC : The Comptroller of Statutory Corporations, P.O. Box 30061,  
**Lilongwe 3.**
- : The Chief Secretary, Office of the President and Cabinet,  
P/Bag 301, **Lilongwe 3.**
- : The Secretary to the Treasury, P.O. Box 30049, **Lilongwe 3.**
- : The Auditor General, P.O. Box 30045, **Lilongwe 3.**

**Ref. No. ODPP/03/1**

**23<sup>rd</sup> May 2007**

**FROM: THE DIRECTOR, OFFICE OF PUBLIC PROCUREMENT,  
P/BAG 383, LILONGWE.**

**TO: ALL PRINCIPAL SECRETARIES, HEADS OF DEPARTMENTS  
AND OF ALL PUBLIC INSTITUTIONS AND CHIEF  
EXECUTIVES OF STATUTORY CORPORATIONS**

### **SUBMISSION OF QUARTERLY REPORTS**

You will recall that on 10<sup>th</sup> August 2004, I issued a Circular on the above subject matter to all the addressees advising of the legal requirement for submission of procurement quarterly reports to this office.

Addressees will appreciate that public procurement has been decentralised to the Procuring Entities (PEs) and, therefore, the reporting mechanism should start at the PE level. You are expected to report to this office the nature of procurement, the type and value of such procurement, the methods used, and the date the contract was signed.

The information collected from your reports is used to compile the Annual Procurement Report which, according to Section 41 of the Public Procurement Act, is to be submitted to the Minister responsible for Public Procurement who would, in turn, lay it before the National Assembly. The report must be submitted to the Minister not later than three months after the expiry of each financial year.

The current financial year comes to an end on 30<sup>th</sup> June 2007 and, therefore, I expect all addressees to ensure that they submit their full 2006/2007 reports by the end of July 2007. These reports can be sent electronically to our e-mail address at [odpp@malawi.net](mailto:odpp@malawi.net) and those compiling the reports are advised to ensure total sums are correctly arrived at and verified before sending the document.

I look forward to your full cooperation on this matter.

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

**Ref. No. ODPP/01/22**

**22<sup>nd</sup> June, 2007**

**FROM:** THE DIRECTOR, OFFICE OF PUBLIC PROCUREMENT,  
P/BAG 383, LILONGWE 3.

**TO :** ALL PRINCIPAL SECRETARIES, HEADS OF DEPARTMENTS  
AND HEADS OF ALL OTHER PUBLIC INSTITUTIONS.

**CC :** The Chief Secretary, Office of the President and Cabinet,  
P/Bag 301, Lilongwe 3.

: The Secretary to the Treasury, P.O. Box 30049, Lilongwe 3.

: The Auditor General, P.O. Box 30045, Lilongwe 3.

### **PURCHASING LIMITS**

In accordance with the powers vested in me by Section 9 (1) (c) of the Public Procurement Act of 2003 and Regulation 10 (2) of the Procurement Regulations and following consultations with other stakeholders, it has become necessary for me to issue new purchasing limits (thresholds) for all Public Institutions.

In this connection, all Controlling Officers, Heads of Departments and Chief Executives of public institutions are, hereby, advised that with effect from 1<sup>st</sup> July, 2007, purchasing limits for Ministries, Departments and other public institutions will be as contained in the attached tables (Tables 2 and 3). These limits supersede those contained in my circular of 25<sup>th</sup> June, 2003.

May I take this opportunity to inform you that while these will be revised from time to time, a revision of the entity's purchasing limit upwards will depend on a number of factors, the most important of which is the institution's level of compliance with the established legal framework and general competence in handling procurement processes. I would, therefore, like to urge you to endeavour to comply with the legal framework by putting in place functional institutions responsible for handling procurement, namely, Internal Procurement Committees (IPCs) and Specialised Procurement Units (SPUs).

It has also been felt necessary to revise the procurement values and the method of procurement. Table 1 attached hereto gives procurement methods for each value of procurement. If you are procuring anything within your threshold, you may not seek

the prior approval of the Director provided that the value of such procurement does not exceed that prescribed by the procurement method.

May I also take this opportunity to remind procuring entities to abide by the existing procurement procedures even when undertaking procurement within their threshold i.e. that not qualifying for our prior review. Let me also advise against the practice of artificially splitting procurement into small values for purposes of beating the threshold as this is a contravention of Section 3 (4) of the Act. Be reminded that all procurement is subject to post review as well as to procurement audits. Consequently, punitive measures are likely to be taken against those that flout the procurement procedures.

Table 2 gives purchasing limits for government institutions while table 3 gives purchasing limits for all other public institutions. Please feel free to contact my Office if you need clarification on any of the contents of this circular.

I would be grateful if the contents of this circular are brought to the attention of Chairpersons of the Internal Procurement Committees (IPCs) and procurement staff in your Ministry/Department/Parastatal.

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



29<sup>th</sup> June, 2007

FROM : THE DIRECTOR, OFFICE OF PUBLIC PROCUREMENT,  
PRIVATE BAG 383, LILONGWE 3.

TO : ALL PRINCIPAL SECRETARIES, HEADS OF  
DEPARTMENTS AND HEADS OF ALL OTHER  
PUBLIC INSTITUTIONS.

CC : The Chief Secretary, Office of the President and  
Cabinet, P/Bag 301, Lilongwe 3.

: The Secretary to the Treasury, P.O. Box 30049,  
Lilongwe 3.

: The Auditor General, P.O. Box 30045, Lilongwe 3.

**EXTERNAL MEMBERS OF THE INTERNAL PROCUREMENT  
COMMITTEE**

In accordance with the powers vested in me by Section 9 (1) (c) of the Public Procurement Act of 2003, it has become necessary for me to issue thresholds for which it will be obligatory for Procuring Entities to request me for external members to attend meetings of their Internal Procurement Committees considering procurement above such thresholds.

In this connection, all Controlling Officers, Heads of Departments and Chief Executives of public institutions are, hereby, advised that with immediate effect, they will be required to invite my Office to send up to three external members to attend meetings of their IPCs discussing procurement, which exceeds the following values:-

<b>Category</b>	<b>Value (Kmn)</b>
<b>Goods</b>	10.00
<b>Works</b>	15.00

I have deliberately not set any threshold for Consultancy Services because I feel this is an area that procuring entities may have a lot of problems with and therefore, may require the services of external members all the time.

These thresholds will be revised from time to time. However, a revision of these thresholds will be in tandem with the whole process of decentralization of procurement, which in turn will depend on capacity building in the entities.

I would also like to advise that you should always give us sufficient notice of your requirement for external members to enable us identify officers of the appropriate calibre for the exercise at hand. You will appreciate that external members are not ODPP personnel, but come from various institutions and, therefore, they too need sufficient time to prepare for such meetings if they are to advise you appropriately at such meetings. We normally require a notice of at least 10 (ten working days).

I would be grateful if the contents of this circular could be brought to the attention of Chairpersons of the Internal Procurement Committees (IPCs) and procurement staff in your Ministry/Department/Parastatal.

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

**TABLE 1**

**PROCUREMENT VALUE AND METHOD**

<b>CATEGORY</b>	<b>PROCUREMENT VALUE (MK)</b>	<b>PROCUREMENT METHOD</b>
<b>GOODS</b>	Up to 3,000,000.00	Request for quotations (using Pre-qualified List) with IPC involvement only.
	Above 3,000,000.00 – 60,000,000.00	By Tender (National Competitive Bidding with involvement of the relevant Stores Controlling Officer).
	Above 60,000,000.00	By Tender (International Competitive Bidding with involvement of Relevant Stores Controlling Office).
<b>WORKS</b>	Up to 5,000,000.00	Request for quotations (use NCIC compiled List).
	Above 5,000,000.00 – 1,000,000,000.00	National Competitive Bidding (with DOB and ODPP's involvement).
	Above 1,000,000,000.00	International Competitive Bidding (with DOB and ODPP's involvement).
<b>SERVICES:</b> <b>Routine Services</b>	Up to K300, 000.00	Request for Quotation from Franchise Dealers only (with PVHO involvement)
	Up to 500,000.00	Request for quotations (if no franchise dealer).
	Above 500,000.00 – 2,000,000.00	Request for quotations (with PVHO's involvement).
	Above 2,000,000.00	Request for quotations (with PVHO and ODPP's involvement).
<b>Vehicle Repair</b>		
<b>PRINTING</b>	Up to 1,000,000.00	Request for quotations (use Pre-qualified List).
	Above 1,000,000.00– 20,000,000.00	By Tender (National Competitive Bidding).
	Above 20,000,000.00	By Tender (International Competitive Bidding).
<b>CONSULTANCIES</b>	Up to 3,000,000.00	Short listing (with involvement of ODPP).
	Above 3,000,000.00 – 30,000,000.00	Request for Proposals (local consultants only).
	Above 30,000,000.00	Request for Proposals (Open to international consultants as well).

**TABLE 2****PURCHASING LIMITS FOR CENTRAL GOVERNMENT**

<b>ORGANISATION</b>	<b>CATEGORY</b>	<b>LIMIT (MK)</b>
Medical Buying Committee	Goods	20,000,000.00 per item
Central Medical Stores	Goods	10,000,000.00 per item
Central Government Stores	Goods	20,000,000.00 per item
PVHO	Repairs	2,000,000.00 per item
PVHO	Spares	1,000,000.00 per item
Viphya Plantation	Spares	750,000.00 per item
Government Press	Materials	1,000,000.00 per item
Other Ministries/Departments	Goods	1,000,000.00 per order
Ministries/Departments	Civil Works	Up to 1,500,000.00
Ministries/Departments (with involvement of DOB only)	Civil Works	Above 1,500,000.00 – 5,00,000.00 per contract
Ministries/Departments (with involvement of DOB and ODPP)	Civil Works	Above 5,000,000 per contract
Ministries/Departments (with involvement of PVHO)	Routine Service of Vehicles	300,000.00
Ministries/Departments (with involvement of PVHO)	Repairs of Vehicles	500,000.00 – 2,000,000.00 per contract
Ministries/Departments (with involvement of PVHO and ODPP)	Repairs of Vehicles	Above 2,000,000.00 per contract

**NOTES:**

DOB = Department of Buildings

ODPP = Office of the Director of Public Procurement

PVHO = Plant and Vehicle Hire Organization

**TABLE 3: PURCHASING LIMITS FOR STATUTORY CORPORATIONS**

<b>Statutory Corporation</b>	<b>Goods (MK)</b>	<b>Works (MK)</b>
1. Airport Development Limited	1,000,000.00	3,000,000.00
2. SEDOM	1,000,000.00	2,000,000.00
3. Tobacco Control Commission	1,000,000.00	2,000,000.00
4. Malawi Institute of Education	1,000,000.00	2,000,000.00
5. Medical Council of Malawi	1,000,000.00	2,000,000.00
6. Malawi Accountants Board	1,000,000.00	2,000,000.00
7. Malawi Entrepreneur Development Institute	1,000,000.00	2,000,000.00
8. Petroleum Control Commission	1,000,000.00	2,000,000.00
9. Malawi College of Accountancy	1,000,000.00	2,000,000.00
10. Malawi Bureau of Standards	1,500,000.00	2,000,000.00
11. National Road Safety Council	1,000,000.00	2,000,000.00
12. Central Region Water Board	2,000,000.00	5,000,000.00
13. Malawi National Examination Board	2,000,000.00	5,000,000.00
14. National Library Services	1,000,000.00	2,000,000.00
15. National Food Reserve Agency	1,500,000.00	3,000,000.00
16. Northern Region Water Board	5,000,000.00	8,000,000.00
17. Lilongwe Water Board	3,000,000.00	6,000,000.00
18. Malawi Council for the Handicapped	1,000,000.00	2,000,000.00
19. Malawi Ind. Research Tech. Dev. Centre	1,000,000.00	2,000,000.00
20. Malawi National Com. for UNESCO	1,000,000.00	2,000,000.00
21. National Roads Authority	1,500,000.00	3,000,000.00
22. ESCOM	6,000,000.00	10,000,000.00
23. Malawi Communications Regulatory Authority	1,000,000.00	2,000,000.00
24. National Electricity Council	1,000,000.00	1,000,000.00
25. Southern Region Water Board	3,000,000.00	5,000,000.00
26. Privatization Commission	3,000,000.00	5,000,000.00
27. Malawi Revenue Authority	2,000,000.00	6,000,000.00
28. TEVET	1,000,000.00	2,000,000.00
29. Copyright Society of Malawi	1,000,000.00	2,000,000.00
30. University of Malawi	1,500,000.00	2,000,000.00
31. ADMARC	3,000,000.00	6,000,000.00
32. Censorship Board	1,000,000.00	2,000,000.00
33. National Youth Council	1,000,000.00	2,000,000.00
34. Television Malawi	1,500,000.00	3,000,000.00
35. Malawi Investment Promotion Agency	1,000,000.00	2,000,000.00
36. National Herbarium & Botanic Gardens	1,000,000.00	2,000,000.00
37. National Sports Council	1,000,000.00	2,000,000.00
38. Phar., Medicines and Poisons Board	1,000,000.00	2,000,000.00
39. Malawi Broadcasting Corporation	1,500,000.00	3,000,000.00
40. Malawi Export Promotion Council	1,000,000.00	2,000,000.00
41. Air Malawi Limited	1,500,000.00	3,000,000.00
42. Malawi Housing Corporation	3,000,000.00	6,000,000.00
43. Blantyre Water Board	3,000,000.00	6,000,000.00
44. Nurses and Midwives Council	1,000,000.00	2,000,000.00
45. Mzuzu University	1,000,000.00	2,000,000.00
46. Development of Malawi Traders Trust	1,000,000.00	2,000,000.00
47. Malawi College of Health Sciences	1,000,000.00	2,000,000.00
48. Malawi Institute of Management	1,500,000.00	2,000,000.00
49. Malawi Posts Corporation	1,000,000.00	3,000,000.00
50. Public Accountants Examination Board	1,000,000.00	2,000,000.00
51. Lotteries Board	1,000,000.00	2,000,000.00