Malawi

Poverty Reduction Support Credit

Fertilizer Procurement Review of the 2010/11 Farm Input Subsidy Program (FISP)

December 2010-February 2011

1.0 Executive Summary

This report presents results of the joint procurement review of the Farm Input Subsidy Program (FISP) for 2010/11 and forms an important part of the Bank's on-going supervision of the Third Poverty Reduction Support Grant (PRSG) III. The report also presents findings and recommendations from 2008/09 and 2009/10 reviews and compares progress on main findings based on these reviews (see table 6). The review is important to the Government as well as to the Bank and other development partners providing Budget Support to Malawi because FISP represents a significant expenditure of the Government budget. Moreover, the Financing Agreement signed between Bank and Government for the PRSC III requires that resources provided are used with due attention to economy, efficiency and transparency.

Members of the review were drawn from World Bank, Ministry of Finance, Ministry of Agriculture and Food Security, Office of the Director of Public Procurement and Central Internal Audit Unit and the review was conducted between December 8th, 2010 and February 19th, 2011. The review was based on bidding documents issued by Ministry of Agriculture and Food Security, Amendments to bidding documents, Bid Evaluation Reports, Minutes of approval of bid evaluation report and contract documents reports on deliveries and payments. Main findings, recommendations and conclusions from the reviews are as follows:

Findings[1]

(i) Fertilizer procured was within the planned quantities of 160,000 metric tons and budget of MK 19 billion. The contracts were signed on July 26, 2010 with 3 months delivery time, but only 75% of the fertilizer had been delivered by October 30, 2010. NPK deliveries lagged Urea primarily on account of delayed deliveries by two firms[2] that were awarded the largest quantities of NPK but had only delivered 15% of quantities awarded by end of October due to unforeseen logistical challenges. As a result, contracts of a number of contractors had to be extended by a month and by 30th December 2010, 100% of the fertilizer was delivered.

[1] Procurement of transport services for 2010/11 not covered in this report.

[2] Mulli Brothers and Nyiombo.

(ii) While a number of recommendations from the April 2010 review were implemented, the review revealed some weaknesses. For instance, the award criteria used in the bidding documents was weak and therefore did not ensure value for money; currency of the bid and payment provision was not respected; the quantity allocation criteria based on unit prices as well as contract award process (e.g. roles of the Evaluation Committees and Internal Procurement Committees) were not adhered to in line with Malawi's procurement procedures.

Recommendations

The review team agreed on the following recommendations:

(i) Government should consider conducting procurement and financial audits of the FISP [starting from the 2011/12 Fiscal Year. Such audits should be institutionalized within Government in view of the programme's fiscal magnitude and national importance and replace these joint reviews by the World Bank and Government conducted for the past two years. **The results of the audit should be shared with World Bank and other interested stakeholders and publish the findings**.

(ii) Government should review institutional setup for procurement of fertilizer and transport services under FISP for 2011/2012 to take into account interests of key stakeholders by end of March 2011. The key stakeholders were identified as MoF who has interest on impact on budget, ODPP who are interested with transparency and MoAFS who are interested in quantities, quality and timeliness of deliveries. MoF should play a leading role in the procurement process. **The review of the institutional setup will be completed and shared with World Bank by March 31, 2011**

(iii) Ministry of Agriculture should publish results of the 2011/12 award in local papers and ODPP website and should write to all disqualified bidders giving reasons for disqualification of their bids.[3] In the publication of the award results, the Government is encouraged to consider inclusion of a provision on the publication of tender awards results that will include Name and address of bidder, Quantity awarded, Unit Cost per ton, contract amount and period of contract in the on-going amendments/revisions of the Public Procurement Act. Additionally, Government should publish tender results for all contracts above US$300,000 equivalent for all key Ministries of Health, Agriculture, Education and Transport and Public Works (including Roads Authority). Publication should be made in two newspaper of wide circulation and ODPP website.[4]

(iv) Bidding documents for future tenders starting 2011/12 tender, will be reviewed to include (a) award criteria for qualified bidders clearly stating that awarded quantities will be proportional to unit price offered (b) Currency of bid and payment will be in accordance with Malawi Procurement Law, requiring bidders to quote their prices in any three currencies of

[3] PPA Section **26.** A procuring entity shall promptly publish notice of all procurement contract awards when the price of the award exceeds the level set by regulation, and the notice, which shall indicate the contract price and the name and address of the successful bidder, shall be published in the *Gazette.*

[4] According to the bidding documents section 42 1.1:'prior to expiry of the period of bid validity, the Procuring Entity shall notify the successful Bidder, in writing, that its bid has been accepted. At the same time, the Procuring Entity shall also notify all other Bidders of the results of the bidding.'

their choice and that payment will be in Malawi Kwacha at prevailing selling rate or in foreign currency for good from outside the country (c) Tender Notice will be published in local media, ODPP website and international media. **Ministry of Finance will share with the Bank revised bidding documents not later than March 31, 2011.**

(v) Procurement management within public service requires strengthening to improve value for money and transparency. To this end, the review recommends that (a) ODPP continue to monitor publication of awards in key ministries through a database linked to No Objections given (b) Government should strengthen procurement management **in top spending ministries through, among other things, recruitment of qualified staff to manage procurement;**

(vi) The roles of the evaluation committee and the Internal Procurement Committee (IPC) in the contract award process should be adhered to, in line with Malawi's procurement procedures. When the IPC rejects an award decision made by the evaluation team, the IPC should communicate this to the evaluation committee for their further consideration before submitting to ODPP;

(vii) Government should consider pre-qualification for tenders starting 2012/13 fiscal year.

(viii) This review report should be published on ODPP and Ministry of Finance websites. **The report will be published by Ministry of Finance in the Government website within two weeks of signature by all members of the review.** The report will also be published by the Bank on its website.

2.0 Background

The Government of Malawi and the World Bank conducted a joint procurement review of the procurement of fertilizer and transport services under the Farm Input Subsidy Program (FISP) in April 2010. During that review it was agreed that a follow up review to assess progress on implementation of the agreed recommendations and actions would be done in December 2010. However the review was concluded in February 2011.

During the April 2010 review, the following observations and recommendations were made:

i. **The basis of allocation of final quantities for award to bidders was weak to achieve economic use of resources in the contract award process:** The review recommended that the Government should improve the quality of the bidding documents focusing on evaluation and post qualification criteria. All criteria to be used in the evaluation should be in the bidding documents. Evaluation criteria should include quantity allocation criteria based on unit prices and delivery period, since the contracts are time sensitive, in addition to price. A responsive bidder should be guaranteed a minimum quantity for award specified in the bidding documents (say 5,000MT) and thereafter quantities could be distributed based on an inverse proportion relative to unit prices. Post qualification criteria should include number of years as supplier for similar goods, evidence of having successfully performed similar contracts in the past, availability of stock, liquid assets and or lines of credit to finance the contract, specified turnover relative to the contract and logistical capacity to perform the contract. Bidding documents should clearly stipulate how unit prices offered will be used as basis of allocation of quantities such that bidders offering lower prices are awarded higher quantities. In addition consideration should be given to cut off point beyond which award would not be economical based on

market prices and unit prices offered. This would ensure economic basis of allocation of quantities.

ii. **Procurement process for transport services was flawed:** Transport services were procured as consulting services. Procurement of transport services should follow procedures for non- consulting services. Bidding documents for non consulting services should have been used. Post qualification criteria should be strengthened to include number of years in transport business, experience to have successfully undertaken similar contracts, logistical capacity to transport fertilizers such as ownership of appropriate vehicles or plans to hire the same, availability of appropriate insurance and availability of specified liquid assets and or lines of credit among others.

iii. **The treatment of currency of bid and payment was not in accordance with the framework of the ICB:** It was agreed that Currency of bid and payment should be clear in the bidding documents. The Malawi Public Procurement Law and associated Regulations allow bidders to quote and be paid in forex or equivalent at prevailing prices for goods supplied from outside the country for bidding based on International Competitive Bidding (ICB). This provision is consistent with international trade practices and allows bidders to offer firm prices in any freely convertible currencies of their choice. When bidding documents call for fixed prices, the prices are fixed in the currency of the bid and not converted to another currency and fixed. ODPP should review the requirements for currency of bid and payment such that it is in line with provisions of ICB in the Procurement Regulations. This would also minimize complaints from suppliers on exchange losses which were experienced in the last tender.

iv. **The collaboration between Procurement, FISP and Logistics Unit needs strengthening** at all times during the process to include planning, budgeting, bidding process, evaluation, and delivery and supplier performance assessment. Procurement unit should keep all documents relating to procurement on file from initiation of procurement to final delivery. The documents were scattered between Logistics Unit, Finance Dept and Procurement and making it difficult to assess the performance of suppliers in terms of timeliness of delivery and payments against the contracts

Publication of awards was also agreed in order to improve transparency consistent with the Public Procurement Act.

A time bound action plan was agreed to implement the above recommendations:

Actions for the 2010/11 FISP

No	Proposed Action	Responsibility	Due Date
1	Review bidding documents for 2010/11 FISP procurement to strengthen evaluation and qualification criteria and share the revised documents with the	Office of Director of Public Procurement	April 10, 2010 (prior to closure of bidding process)

	Bank		
2	Review the 2010/11 ISP Procurement process	Bank/GoM	December 2010
3	Publish contract award results in at least two print media of wide circulation and on ODPP website	Ministry of Agriculture and Food Security	Within two weeks after contracts signature

Additional Proposed Actions for 2010/11 Poverty Reduction Support Credit (PRSCIII)

No	Proposed Action	Responsibility	Due Date
1	Prepare procurement plans alongside budget for 2010/11 budget for key Ministries of Health, Agriculture, Education and Transport and Public Works (including Roads Authority) as agreed with CABS group)	Key Ministries as mentioned and ODPP	August31, 2010
4	Publish tender results for all contracts above US$300,000 equivalent for all key Ministries of Health, Agriculture, Education and Transport and Public Works (including Roads Authority). Publication should be made in two newspaper of wide circulation and ODPP website	ODPP/Key Ministries	Within two weeks after contract signature

3.0 Main findings of February 2010/2011 Review

The findings are based on the review of bidding documents used in the tender, clarifications to bidding documents issued by the Ministry of Agriculture and Food Security, Bid Evaluation Report, Minutes of Internal Procurement Committee (IPC) on the approval of the evaluation report and signed contracts between MoAFS and each supplier.

3.1 Status of the agreed action plans: A review of the status of the agreed action plan was conducted and the results are tabulated below:

Table 1- Status of Actions for the 2010/11 FISP

No	Proposed Action	Responsibility	Status
1	Review bidding documents for 2010/11 ISP procurement to strengthen evaluation and qualification criteria and share the revised documents with the Bank	Office of Director of Public Procurement	**A review was made but** did not fully take into account the recommendations of the April 2010 review.
2	Review the 2010/11 FISP Procurement process	Bank/GoM	**Done**
3	Publish contract award results in at least two print media of wide circulation and on ODPP website	Ministry of Agriculture and Food Security	**Done**

Additional Proposed Actions for 2010/11 Poverty Reduction Support Credit (PRSCIII)

No	Proposed Action	Responsibility	Status
4	Prepare procurement plans alongside budget for 2010/11 budget for key Ministries of Health, Agriculture, Education and Transport and Public Works (including Roads Authority) as agreed with CABS group)	Key Ministries as mentioned and ODPP	**Done**
5	Publication of tender results for all contracts above US$300,000 equivalent for all key Ministries of Health, Agriculture, Education and Transport and Public Works (including Roads Authority). Publication should be made in two newspaper of wide circulation and ODPP website.	ODPP/Key Ministries	**Not done**

3.2 Observations of the 2010/11 FISP procurement for Fertilizers: The observations have been made in relation to Economy, Transparency and Fairness which are key tenets of public procurement as prescribed in the Law.

3.21. **The contract awards were not economical.**

i. As presented in Tables 3, awards were not relative to the unit price offered by bidders. Bidders offering relatively higher prices were in many circumstances awarded higher quantities. This was mainly due to the fact that the use of minimum price as a determinant of quantities awarded was not clearly stipulated in the tender document.

ii. The prices offered by bidders under the tender were also relatively higher compared with prices received for tenders for similar goods during the same period implying that bidders perceived higher risks associated with FISP procurement. For instance procurement of UREA under IRLADP Project under the Ministry of Agriculture yielded an average price of MK92, 513.91 per ton despite the relatively smaller quantities (about 1,000,000kg) involving districts as remote as Chitipa and Nsanje compared to this tender with an average price of over MK96,000 per ton.

iii. Bidding documents required that bidders offering prices outside the range of 15% relative to the prevailing market prices would be rejected. This criterion was not used during evaluation and its application would have led to disqualification of bidders offering in excess MK96,000 and MK120,000 per ton for Urea and NPK respectively.

3.2.2 Transparency:

iv. There were some improvements in the transparency of the process. For instance, the tender of supplies of fertilizer and transport were advertised and the results of the award of contracts were published in public media. However, the award quantities kept on changing between evaluations to contract signature with some bidders losing out completely in the process without specific reasons (refer to Table 2). The rejections from IPC were not set back to the Evaluation Committee for review.

3.2.3 Fairness:

v. The whole bidding process did not present a fair chance to all bidders. Some bidders who offered relatively good prices were not awarded anything without strong justification. Some bidders who were disqualified during the evaluation were brought back. The IPC's agreement to bring back some bidders on board as a way of giving opportunity to new (entrants) suppliers was not in line with procurement practice.

vi. **Clarity of Bidding Documents**. Criteria of award in the bidding documents could have been clearer. Bidders were asked to quote and could have been awarded based on complete quantity for two lots, complete quantity under selected lot, complete quantity of selected lot per delivery **site or minimum of 1,000 metric** tons in a selected lot. There were two lots and evaluation and award was not based on any of the stated factors. This multiple selection

criteria left room for more discretionary decisions on whom to award and how much to award.

3.3 Status of Deliveries

Ministry of Agriculture and Food Security, Logistics Unit regularly monitored performance of suppliers and payments. The contracts for fertilizers were signed on July 26, 2010 with a delivery period of 12 weeks (3 months) implying a final delivery date of October 30, 2010. As at 30th October 2010, 89%of Urea had been delivered. Table 4 is summary report on deliveries. The report shows that eight out of 16 firms awarded substantially or fully completed their contract obligations. On the other hand 61% of NPK had been delivered. Two firms, which were awarded 10,000 metric tones of NPK, had delivered 15% of the amount awarded (see table 4b), thus lowering the overall performance. The report notes that suppliers had delivered 100,000 metric tones against 25,000 metric tones during the same period last year. With regards to payment for fertilizer invoices, Mk 9.9 billion out of 12.7 billion submitted invoices has been paid.

3.4 Collaboration and Management of the Procurement Process

Collaboration between Procurement and Logistics Unit within Ministry of Agriculture was somehow satisfactory but can be improved further. Weekly reports were shared between the two units and they conducted regular joint field visits to monitor deliveries. However, the procurement unit is not actively involved in the payment process. Payment records, i.e. invoices were not made available to the Unit hence unable to monitor payments against contracts signed.

3.5 Comparison of 2008/09 to 2010/11 Procurement Reviews

The review made a comparative analysis of procurement process for three years since 2008/09 to see trends in the management process of this tender and the analysis is presented in the Table 6. The Table shows that improvements were registered in the areas of procurement planning, bidding process, transparency, and oversight by ODPP, procurement of transport services and publication of award. However there is still room for improvement in the clarity of bidding documents, economy in the procurement process, and transparency in evaluation and awards of contracts.

4.0 Conclusion and Recommendations

There has been encouraging improvements over the past three (3) years in the procurement and contracting process for fertilizer in the FISP. However, the review notes that there is scope for improvement in the areas of transparency and economy of the process. The review team makes the following recommendations for consideration by Government, which when accepted should be communicated to the Bank and other key interested stakeholders:

(i) Government should consider conducting procurement and financial audits of the FISP [starting from the 2011/12 Fiscal Year. Such audits should be institutionalized within Government in view of the programme's fiscal magnitude and national importance and replace these joint reviews by the World Bank and Government conducted for the past two years. **The results of the audit should be shared with World Bank and other interested stakeholders and publish the findings**.

(ii) Government should review institutional setup for procurement of fertilizer and transport services under FISP for 2011/2012 to take into account interests of key stakeholders by end of March 2011. The key stakeholders were identified as MoF who has interest on impact on budget, ODPP who are interested with transparency and MoAFS who are interested in quantities, quality and timeliness of deliveries. MoF should play a leading role in the procurement process. **The review of the institutional setup will be completed and shared with World Bank by March 31, 2011**

(iii) **Ministry of Agriculture should publish results of the 2011/12 award in local papers and ODPP website and should write to all disqualified bidders giving reasons for disqualification of their bids**.[5] In the publication of the award results, the Government is encouraged to consider inclusion of a provision on the publication of tender awards results that will include Name and address of bidder, Quantity awarded, Unit Cost per ton, contract amount and period of contract in the on-going amendments/revisions of the Public Procurement Act. Additionally, Government should publish tender results for all contracts above US$300,000 equivalent for all key Ministries of Health, Agriculture, Education and Transport and Public Works (including Roads Authority). Publication should be made in two newspaper of wide circulation and ODPP website.[6]

(iv) Bidding documents for future tenders starting 2011/12 tender, will be reviewed to include (a) award criteria for qualified bidders clearly stating that awarded quantities will be proportional to unit price offered (b) Currency of bid and payment will be in accordance with Malawi Procurement Law, requiring bidders to quote their prices in any three currencies of their choice and that payment will be in Malawi Kwacha at prevailing selling rate or in foreign currency for good from outside the country (c) Tender Notice will be published in local media, ODPP website and international media. **Ministry of Finance will share with the Bank revised bidding documents not later than March 31, 2011.**

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When the IPC rejects an award decision made by the evaluation team, the IPC should communicate this to the evaluation committee for their further consideration before submitting to ODPP;

(vii) Government should consider pre-qualification for tenders starting 2012/13 fiscal year.

(viii) This review report should be published on ODPP and Ministry of Finance websites. **The report will be published by Ministry of Finance in the Government website within two weeks of signature by all members of the review.** The report will also be published by the Bank on its website.

Table 2-Malawi FISP – Award Quantities by Stage in Procurement Process

Name of Bidder	Awarded Quantities at Evaluation		Awarded Quantities at IPC		Final Award Quantities in Contract after ODPP	
	NPK	Urea	NPK	Urea	NPK	Urea
Farmers World	5000	5000	4000	6000	4000	6000
Produce Mart	3500	0	0	0	0	0
Felton General Dealers	2000	1000	0	0	0	0
Optichem	13000	0	7000		7000	0
Export Trading	7425	12425	6000	8000	6000	8000
Mulli Brothers	9500	14575	10000	10000	10000	10000
Sealand Investments	5900	6500	4000	4000	4000	4000
Malawi Fertilizer Company	4500	2300	3000	2000	3000	2000
Coin Tech	2000	3,500	0	0		
SFFRFM	6175	5800	4000	4000	4000	4000
Agora	3000	4300	0	0	0	0
Rab Processors	2000	7000	0	0	0	0
Simama Traders	6000	3800	8500	9500	8500	9500
ATC	4000	4300	0	0	0	0
Farm Chem	1000	0	5000	0	5000	0
Nyiombo	5000	1000	10500	9500	10500	9500
Krish Trading	0	0	0	5000	0	5000
Mapeto Wholesalers	0	0	5000	5000	5000	5000
Transglobe	0	0	2000	5000	2000	5000
Shire Limited	0	0	5000	5000	5000	5000
Gassom Traders	0	0	0	2000	0	2000
B&N Investments	0	0	1000	1000	1000	1000
Xelite Strips Ltd	0	0	0	2000	0	2000
Masina Investments	0	0	0	2000	0	2000
Astro Chemicals	0	0	5000	0	5000	0

Table 3 Comparison of Quantity Versus Unit Price by Lot

Table 3.1 – NPK- Chirimba, Blantyre

Rank	**Name of Bidders , Unit Price (MK) and Quantities (Metric Tonnes)**			
	Ranked by Price		Ranked by Quantity award at Evaluation	
1	Optichem	102,775.96	Optichem	6,000
2	Export Trading	104,875.71	Mulli Brothers	5,000
3	Optichem	105,785.04	Export Trading	3,000
4	Rab Processors	108,664.56	SFFRFM	3,000
5	Agora	114,120.54	Simama	2,500
6	MFC	114,423,65	Sealand	2,400
7	Nyiombo	114, 725.76	Rab Processors	2,000
8	Farmers World	114, 726.76	MFC	2,000
9	Sealand	115,939.19	Nyiombo	2,000
10	ATC	115,939.19	ATC	2,000
11	SFFRFM	116,693.97		
14	Mulli Brothers	120, 466.83		

Table 3.2 – NPK- Lilongwe

Rank	**Name of Bidders , Unit Price (MK) and Quantities (Metric Tonnes)**			
	Ranked by Price		Ranked by Quantity award at Evaluation	
1	Optichem	102, 753.95	Optichem	6,000
2	Export Trading	104,875.71	Mulli Brothers	3,500
3	Optichem	105,755.04	SFFRFM	3,175
4	Agora	114,423.65	Simama	2,500
5	Nyiombo	114,726.76	Sealand	2,500
6	Sealand	115,939.19	Export Trading	2,500
7	ATC	115,939.19	Nyiombo	2,000
8	SFFRFM	116,393.86	Farmers World	2,000
9	Feltons	116,693.97	MFC	1,500
10	Produce Mart	117,693.97	Produce Mart	1,500
11	Mulli Brothers	120,852.42		

Table 3.3 – NPK- Mzuzu

Rank	Name of Bidders , Unit Price (MK) and Quantities (Metric Tonnes)			
	Ranked by Price		Ranked by Quantity award at Evaluation	
1	Export Trading	104,996.96	Export Trading	1,925
2	Optichem	114,423.65	Optichem	1,000
3	Produce Mart	117,725.00	Produce Mart	1,000
4	ATC	118,970.28	ATC	1,000
5	Nyiombo	119,121.84	Nyiombo	1,000
6	Sealand	120,485.83	Sealand	1,000
7	MFC	120,485.83	MFC	1,000
8	Farmers World	121,092.05	Farmers World	1,000
9	Mulli Brothers	124, 274.69	Mulli Brothers	1,000
10	Simama	133,367.96	Simama	1,000

Table 3.4 – UREA- Chirimba, Blantyre

Rank	Name of Bidders , Unit Price (MK) and Quantities (Metric Tonnes)			
	Ranked by Price		Ranked by Quantity award at Evaluation	
1	Rab Processors	87,446.96	Mulli Brothers	7,400
2	Export Trading	89,993.06	Export Trading	7,000
3	Farmers World	92,599.80	Farmers World	3,500
4	Agora	93,206.02	Rab Processors	3,500
5	Nyiombo	93,206.02	Sealand	3,000
6	Sealand	96,237.11	SFFRFM	3,000
7	ATC	96,237.11	Agora	2,500
8	SFFRFM	98,358.87	ATC	1,500
9	Mulli Brothers	98,510.43	Simama	1,000
10	Simama	101, 541.52		

Table 3.5 – UREA- Lilongwe

Rank	Name of Bidders , Unit Price (MK) and Quantities (Metric Tonnes)			
	Ranked by Price		Ranked by Quantity award at Evaluation	
1	Rab Processors	88,962.49	Mulli Brothers	5,175
2	Export Trading	89,993.06	Nyiombo	4,500
3	Nyiombo	93,509.13	Export	3,500
4	Farmers World	94,570.01	Rab Processors	3,000
5	Agora	95,479.34	SFFRFM	2,800
6	MFC	95,630.89	Sealand	2,500
7	Feltons	97,752.65	Simama	1,800
8	Sealand	97,752.65	Agora	1,800
9	ATC	97,752.65	Farmers World	1,500
10	Mulli	100,025.97	MFC	1,300

Table 3.6 – UREA- Mzuzu

Rank	Name of Bidders , Unit Price (MK) and Quantities (Metric Tonnes)			
	Ranked by Price		Ranked by Quantity award at Evaluation	
1	Export Trading	89,993.06	Mulli Brothers	2,000
2	Rab Processors	93,509.13	Export Trading	1,925
3	Nyiombo	93,963.79	Rab Processors	1,000
4	MFC	98,965.09	Nyiombo	1,000
5	ATC	100,025.97	MFC	1,000
6	Sealand	100,025.97	ATC	1,000
7	Mulli Brothers	103,785.04	Sealand	1,000
8	Coin Tech	105,785.04	Coin Tech	1,000

Table 4a- Status of Fertilizer Deliveries as at October 30th, 2010.

Name of Supplier		Urea (MT)				
		Chirimba	Kanengo	Luwinga	Total	%
Nyiombo	Awarded	4,500	2,075	2,925	9,500	
	planned	4,500	2,075	2,925	9,500	100%
	delivered	3,500	2,075	2,925	8,500	89%
Mulli Brothers	Awarded	6,400	2,600	1,000	10,000	
	planned	6,400	2,600	1,000	10,000	100%
	delivered	6,400	2,600	1,000	10,000	100%
Simama	Awarded	3,500	3,000	3,000	9,500	
	planned	3,500	3,000	3,000	9,500	100%
	delivered	1,600	3,000	1,965	6,565	69%
Export Trading	Awarded	3,500	2,500	2,000	8,000	
	planned	3,500	2,500	2,000	8,000	100%
	delivered	3,500	2,500	2,000	8,000	100%
Farmers World	Awarded	3,500	2,500		6,000	
	planned	3,500	2,500		6,000	100%

	delivered	3,500	1,705		5,205	87%
Mapeto	Awarded		5,000		5,000	
	planned		5,000		5,000	100%
	delivered		5,000		5,000	100%
Shire Limited	Awarded	2,500	2,500		5,000	
	planned	2,500	2,500		5,000	100%
	delivered	1,639	1,077		2,716	54%
Sealand	Awarded	2,000	1,000	1,000	4,000	
	planned	2,000	1,000	1,000	4,000	100%
	delivered	2,000	1,000	1,000	4,000	100%
SFFRFM	Awarded	2,000	2,000		4,000	
	planned	2,000	2,000		4,000	100%
	delivered	2,000	2,000		4,000	100%
Transglobe Produce	Awarded	4,000	1,000		5,000	
	planned	4,000	1,000		5,000	100%
	delivered	4,000	1,000		5,000	100%
MFC	Awarded		1,000	1,000	2,000	
	planned		1,000	1,000	2,000	100%
	delivered		120	1,000	1,120	56%
Krish Trading	Awarded		5,000		5,000	
	planned		5,000		5,000	100%
	delivered		4,579		4,579	92%
Xelite Strips Limited	Awarded		2,000		2,000	
	planned		2,000		2,000	100%

	delivered		1,691		1,691	85%
B & N Investments	Awarded	1,000			1,000	
	planned	1,000			1,000	100%
	delivered	1,000			1,000	100%
Masina Investments	Awarded	2,000			2,000	
	planned	2,000			2,000	100%
	delivered	2,000			2,000	100%
Gassom Traders	Awarded	2,000			2,000	
	planned	2,000			2,000	100%
	delivered	1,495			1,495	75%
Totals	**Awarded**	**36,900**	**32,175**	**10,925**	**80,000**	
	planned	**36,900**	**32,175**	**10,925**	**80,000**	**100%**
Total	**delivered**	**32,634**	**28,347**	**9,890**	**70,871**	**89%**

Table 4b- Status of Fertilizer Deliveries as at October 30th, 2010.

		NPK (MT)				
Name of Supplier	**Details**	**Chirimba**	**Kanengo**	**Luwinga**	**Total**	**%**
Nyiombo I	Awarded	4,000	5,000	1,500	10,500	
	planned	4,000	5,000	1,500	10,500	**100%**
	delivered	85	0	1,500	1,585	**15%**
Mulli Brothers	Awarded	3,000	6,000	1,000	10,000	
	planned	3,000	6,000	1,000	10,000	**100%**
	delivered	929	510	0	1,439	**14%**
Simama General	Awarded	3,400	4,100	1,000	8,500	
	planned	3,400	4,100	1,000	8,500	**100%**

	delivered	3,400	3,729	1,000	8,129	**96%**
Export Trading	Awarded	2,000	2,000	2,000	6,000	
	planned	2,000	2,000	2,000	6,000	**100%**
	delivered	2,000	2,000	2,000	6,000	**100%**
Farmers World	Awarded	1,000	2,000	1,000	4,000	
	planned	1,000	2,000	1,000	4,000	**100%**
	delivered	1,000	722	460	2,182	**55%**
Mapeto	Awarded	5,000			5,000	
	planned	5,000			5,000	**100%**
	delivered	3,411			3,411	**68%**
Shire Limited	Awarded	2,500	2,500		5,000	
	planned	2,500	2,500		5,000	**100%**
	delivered	1,723	718		2,441	**49%**
Sealand	Awarded	1,000	575	2,425	4,000	
	planned	1,000	575	2,425	4,000	**100%**
	delivered	1,000	575	2,425	4,000	**100%**
SFFRFM	Awarded	2,000	2,000		4,000	
	planned	2,000	2,000		4,000	**100%**
	delivered	2,000	2,000		4,000	**100%**
Optichem (2000)	Awarded	4,000	2,000	1,000	7,000	
	planned	4,000	2,000	1,000	7,000	**100%**
	delivered	2,758	114	357	3,229	**46%**
Transglobe Produce	Awarded	2,000			2,000	
	planned	2,000			2,000	**100%**
	delivered	142			142	**7%**

MFC	Awarded	1,000	1,000	1,000	3,000	
	planned	1,000	1,000	1,000	3,000	**100%**
	delivered	1,000	0	0	1,000	**33%**
Farm-Chem	Awarded	5,000			5,000	
	planned	5,000			5,000	**100%**
	delivered	5,000			5,000	**100%**
Astrol Chemical	Awarded		5,000		5,000	
	planned		5,000		5,000	**100%**
	delivered		4,998		4,998	**100%**
B & N Investments	Awarded	1,000			1,000	
	planned	1,000			1,000	**100%**
	delivered	1,000			1,000	**100%**
Totals	Awarded	**36,900**	**32,175**	**10,925**	**80,000**	
	planned	**36,900**	**32,175**	**10,925**	**80,000**	**100%**
Total	delivered	**25,448**	**15,367**	**7,742**	**48,557**	**61%**

Table 5- Malawi FISP - Proposed Evaluation Awards - Detailed Quantity by Delivery Site and reasons for bidder rejections

Bidder	NPK -BT	NPK-LL	NPK-MZUZU	Total NPK	Urea- BT	Urea-LL	Urea-Mzuzu	Total Urea	Comment
Sana Cash & Carry	-	-	-	-	-	-	-	-	Disqualified- Did not indicate delivery site
KFT Trading House	-	-	-	-	-	-	-	-	Disqualified- No manufacturer authorization
Livingstone Export	-	-	-	-	-	-	-	-	No award- Inadequate supply capacity
Layser Paints		-	-	-	-	-	-	-	No award - Inadequate supply and logistical capacity
Multiple Trading	-	-	-	-	-	-	-	-	Disqualified on grounds of bid security
Farmers World	2,000.00	2,000.00	1,000.00	5,000.00	3,500.00	1,500.00	-	5,000.00	
Mzati Investments	-	-	-	-	-	-	-	-	No award -Quoted high prices all through
Produce Mart	1,000.00	1,500.00	1,000.00	3,500.00	-	-	-	-	
Felton General Dealers	1,000.00	1,000.00	-	2,000.00	-	1,000.00		1,000.00	
Optichem	6,000.00	6,000.00	1,000.00	13,000.00	-	-	-	-	
Export Trading	3,000.00	2,500.00	1,925.00	7,425.00	7,000.00	3,500.00	1,925.00	12,425.00	
Mulli Brothers	5,000.00	3,500.00	1,000.00	9,500.00	7,400.00	5,175.00	2,000.00	14,575.00	
Central Africa Mercantile	-	-	-	-	-	-	-	-	No award- Inadequate supply and logistical capacity
Boss Distributors	-	-	-	-	-	-	-	-	Disqualified on grounds of questionable manufacturer

									authorization
Sealnd Investments	2,400.00	2,500.00	1,000.00	5,900.00	3,000.00	2,500.00	1,000.00	6,500.00	
Masina Investments	-	-	-	-	-	-	-	-	Inadequate supply and financial capacity but **awarded**
Malawi Fertilizer Company	2,000.00	1,500.00	1,000.00	4,500.00	-	1,300.00	1,000.00	2,300.00	
Jadcon	-	-	-	-	-	-	-	-	Disqualified- No manufacturer authorization
Coin Tech	1,000.00	1,000.00	-	2,000.00	1,000.00	1,500.00	1,000.00	3,500.00	
SFFRFM	3,000.00	3,175.00	-	6,175.00	3,000.00	2,800.00	-	5,800.00	
Shire	-	-	-	-	-	-	-	-	**Awarded but was disqualified due to inadequate supply capacity**
Agora	1,000.00	2,000.00	-	3,000.00	2,500.00	1,800.00	-	4,300.00	
Royal Procurement Services	-	-	-	-	-	-	-	-	No award- Inadequate financial and logistical capacity
Transglobe	-	-	-	-	-	-	-	-	Disqualified on grounds of bid security
Rab Processors	2,000.00	-	-	2,000.00	3,000.00	3,000.00	1,000.00	7,000.00	**Disqualified on technical specs but was awarded at evaluation stage**
Kasbro	-	-	-	-	-	-	-	-	No award- Inadequate supply capacity
KRK Distributors	-	-	-	-	-	-	-	-	No award- Inadequate financial and logistical capacity
Mapeto Wholesalers	-	-	-	-	-	-	-	-	**Disqualified on grounds of inadequate supply capacity but awarded**
Simama Traders	2,500.00	2,500.00	1,000.00	6,000.00	1,000.00	1,800.00	1,000.00	3,800.00	

ATC	2,000.00	1,000.00	1,000.00	4,000.00	1,500.00	1,800.00	1,000.00	4,300.00	
Xelite	-	-	-	-	-	-	-	-	Qualified but no award at evaluation stage
Krish Trading	-	-	-	-	-		-	-	Qualified but no award at evaluation stage
Goldfield	-	-	-	-	-	-	-	-	No award- Inadequate supply and logistical capacity
Elvis	-	-	-	-	-	-	-	-	No award- Inadequate supply capacity
Benbrooks	-	-	-	-	-	-	-	-	Disqualified - No manufacturer authorization and no bid security
Astro Chemicals		-	-	-	-	-	-	-	**Inadequate financial capacity but awarded at later stage**
Farm Chem	1,000.00	-	-	1,000.00	-	-	-	-	
Chiphaka Distributors	-	-	-	-	-	-	-	-	Disqualified- Questionable authorization (Self authorization)
B&N Investment	-	-	-	-	-	-	-	-	Disqualified - Questionable manufacturer authorization
Hardware Shopping Centre	-	-	-	-	-	-	-	-	No award - Qualified for Lilongwe but perhaps price
Conglobal	-	-	-	-	-	-	-	-	No award - Inadequate supply and logistical capacity
Sonali Traders	-	-	-	-	-	-	-	-	No award- Inadequate financial Capacity
Gasom Traders	-	-	-	-	-	-	-	-	**Disqualified based on questionable manufacturer authorization but awarded**
Aja Investements	-	-	-	-	-	-	-	-	Disqualified based on questionable manufacturer authorization
Nyiombo Investments	2,000.00	2,000.00	1,000.00	5,000.00			1,000.00	1,000.00	

Nafees Investements	-	-	-	-	4,000.00	4,500.00	-	8,500.00	Disqualified - Questionable manufacturer authorization
Agriculture Resources	-	-	-	-	-	-	-	-	No award- Inadequate financial and logistical capacity
Total	36,900.00	32,175.00	10,925.00	80,000.00	36,900.00	32,175.00	10,925.00	80,000.00	

Table 6- Trend Analysis of Procurement Process for Fertilizer from 2008/09 to 2010/11

Procurement Aspect	2008/09 Observations	2009/10 Observations	2010/2011 observations	Comments
Procurement Planning	Planning and assessment of requirements was inadequate. Procurement was adhoc without adequate consideration to quantities required, budget and timing of deliveries. Overall the quantities exceeded the original estimate by 84,882 MT	Quantities procured were within the quantities planned (77,000MT). Existing quantities in form of buy-back quantities (83,000 MT) were taken into account in the procurement process	Quantities procured were within planned figures of 160,000 metric tonnes for both Urea and NPK.	Planning has improved since 2008/09.
Bidding Documents for fertilizers	Basis of evaluation and award was not clear. Bidders were required to submit bids either (i) in multiples of 1300MT or (ii) complete quantities for a selected lot per delivery site. Award was to be based on lot basis	(i) ITB 1.1 required bidders to bid for complete quantities in a lot and at the same time in multiples of 1,000 within lot which was a contradiction (advert put multiples at 1,300 MT which was different from bidding documents) (ii) delivery was specified for quantities to specific destinations and award was based on destinations but the bidding documents were not clear on destination as factor in award (iii) Post-qualification requirements was inadequate as it did not include past performance and liquid assets.	(i) Bidders were asked to quote and could have been awarded based on complete quantity for two lots, complete quantity under selected lot, complete quantity of selected lot per delivery site or minimum of 1,000 tonnes in a selected lot which was not clear. (ii) Delivery was specified for quantities to specific destinations and award was based on destinations. (iii) Post-qualification criteria was adequate and included past performance and liquid assets. There was also one criteria relating to economy of award requiring rejection of	There are improvements since 2008/09 except for the use of unit prices as a basis of awarding contracts and clarity in the basis of evaluation in bidding documents.

		(iv) There was no criteria on how unit prices would be used as basis of award. (v) Governing law for the contract was indicated as International Law as opposed to Laws of Malawi.	bids outside 15% bracket relative to local prevailing market prices. (iv) there was no criteria on how unit prices would be used as basis of award. (v) Governing law for the contract was indicated as Laws of Malawi.	
Transparency	Overall transparency was inadequate. The initial quantity of 170,000 was advertised but additional quantities of 84,882 were procured through direct contracting and several contract addenda. There was inadequate rationale for selection of suppliers for direct contracting and addenda.	Quantities were procured through open tender. One addendum was made after two suppliers had failed to deliver within the stipulated time and the quantities were given to other suppliers who had completed their deliveries. Some qualified bidders were not awarded any quantity	Quantities were procured through open tender. There was no any addendum. The rationale for selection of suppliers was adequate. The award quantities kept on changing between evaluations to contract signature with some bidders losing out completely in the process with no reasons given.	Improvements registered from 2008/09 but there is still room for improvement especially on the role of the IPC and the evaluation committeee in the contract award process
Economy of Evaluation and Awards	Same Unit prices were maintained despite some procurement taking place six months after the initial process and prices had gone down. The basis of final allocation of quantities to suppliers was inadequate. Some suppliers offering relatively higher unit prices were awarded larger	Some suppliers offering relatively higher unit prices were awarded larger quantities relative to suppliers who offered lower unit prices after both categories of suppliers had been determined to have the required experience and capabilities	Some suppliers offering relatively higher unit prices were awarded larger quantities relative to suppliers who offered lower unit prices after both categories of suppliers had been determined to have the required experience and capabilities.	Award of contracts still remains a challenge.

	quantities relative to suppliers who offered lower unit prices after both categories of suppliers had been determined to have the required experience and capabilities			
Oversight by Office of Director of Public Procurement	Inadequate information was provided to the office of Director of Public Procurement and the No Objection was based on inadequate information	Adequate information was provided to ODPP as basis of a No Objection.	Adequate information was provided to ODPP as basis of a No Objection	There was improvement.
Publication of awards	Not published	Not published	Published	
Procurement of Transport Services	Method of procurement and bidding documents for transportation services were flawed. Used restricted tendering with inadequate basis of the restricted list	Used open tendering procedures. Method of procurement and bidding documents used were for consulting services (used subjective rating system) which is not suitable to non –consulting services such as transport services. Post qualification requirements were weak to the extent that almost all bidders qualified. The basis of award was not clear		Improvement registered

Members of the Joint Review

Name	Organization/Department	Designation	Team Role	Signature
P. Simbani	M of F	Director, DAD	Chairperson	
S. Chirwa	World Bank	Senior Proc Spec	Member	
A. Chirwa	ODPP	Deputy Director	Member	
C. Mtambo	MoAFS	FISP Cordinator	Member	
T. Banda	MoF	Economist (WB Desk) Officer	Member	
S. Kwalingana	World Bank	Economist	Member	
S.M Mhone	World Bank	Procurement Specialist	Member	
D. Chasambira	CIAU	Principal Internal Auditor	Member	
G. Pangani	CIAU	Acting Director	Member	
O. Tsoka	MOAFS	PAO (FISP)	Member	
W. Makalande	MOAFS	Procurement Officer	Member	
B.K Yekeson	MOAFS	Procurement Specialist	Member	