

PROCUREMENT BENCHMARKING AND CAPACITY DEVELOPMENT STRATEGY FOR THE GOVERNMENT OF ALBANIA (GOA)

FINDINGS OF THE PRELIMINARY REPORT

GOVERNMENT DONOR ROUNDTABLE
4 JUNE 2010



Sponsored by UNDP

Assessment Orientation

Key Objectives:

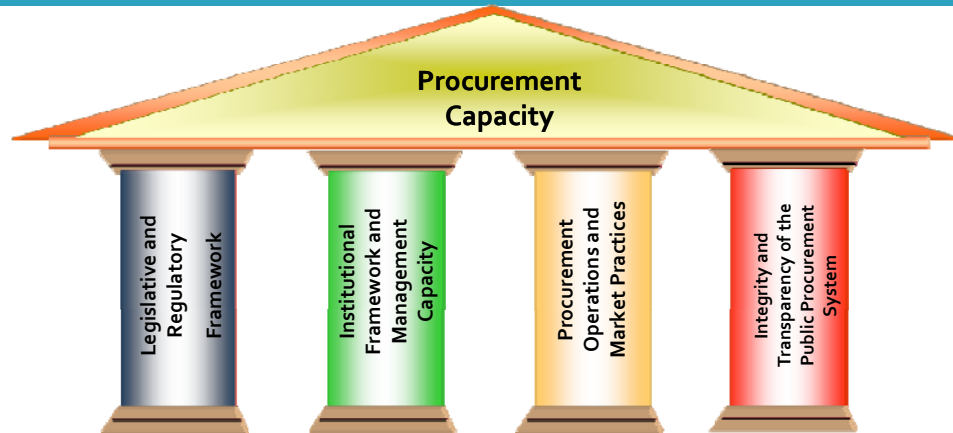
Assist GOA fulfill its commitment to bring its public procurement systems in line with EU standards

Contribute to GOA's goal to achieve successful accession to the EU

Work Objectives:

- Benchmark the PPS using OECD/DAC methodology and indicators
- Tailor or develop indicators as needed
- Measure progress since previous assessments
- Prepare capacity development plan
- Develop a case study

OECD/DAC Methodology



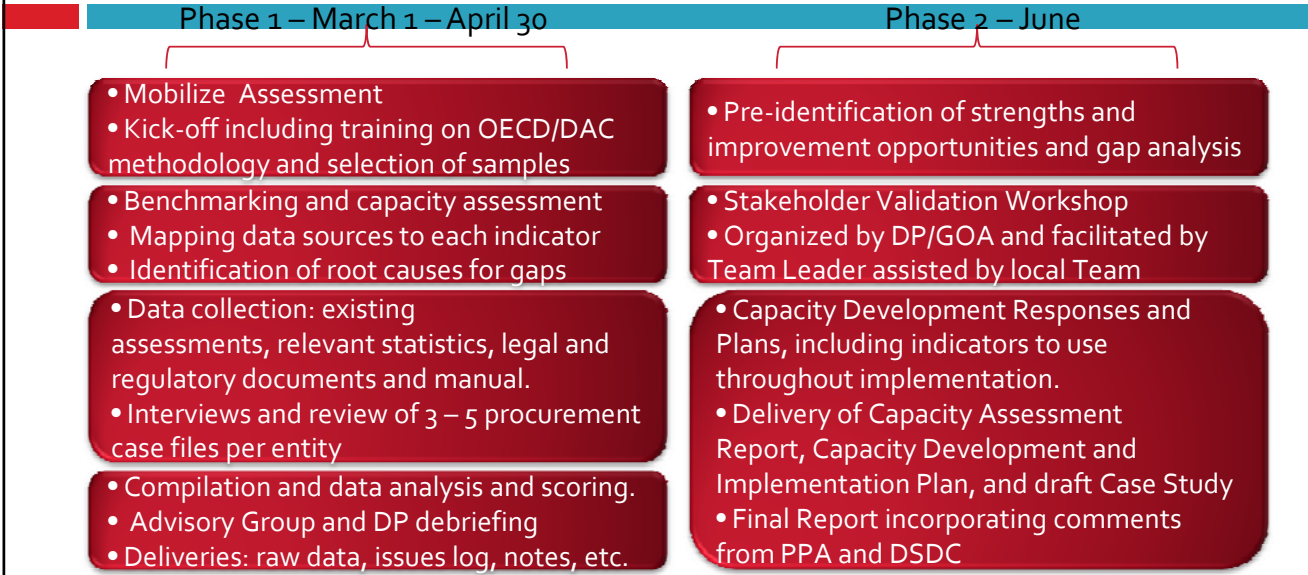
12 Base Line indicators and 29 Compliance and Performance Indicators regarded as fairly representative of the fiduciary capacity of public procurement systems by the international community.

Entities Reviewed

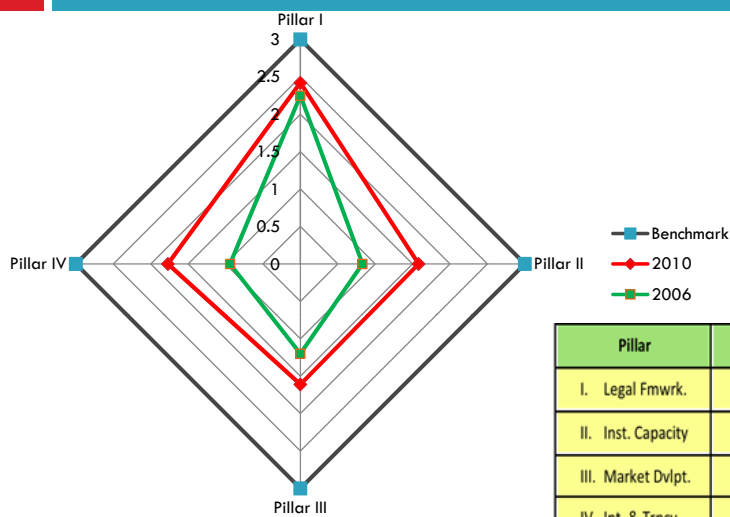
Review of procurement processes, supporting documentation and contract administration encompassing approximately 50 transactions

Entity
Ministry of Interior
Ministry of Public Works
Directorate of Roads
KESH
Ministry of Health
Ministry of Education
Municipality of Tirana
Municipality of Kamza
INSIG

Work Path



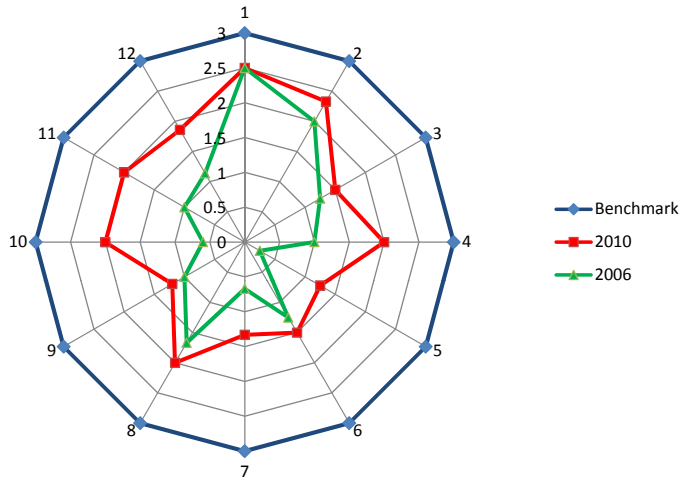
Procurement Assessment Results



Grading Capacity of the System	
Values	Level of Capacity
2.75 >= 3	Optimal
2 >= 2.75	Satisfactory
1 >= 2	Relatively Low
0 <= 1	Very Low

Pillar	2010	Assessed Capacity	2006	Net Change
I. Legal Fmwrk.	2.42	Satisfactory	2.25	8%
II. Inst. Capacity	1.58	Relatively Low	0.83	81%
III. Market Dvlpt.	1.61	Relatively Low	1.2	25%
IV. Int. & Trpcy.	1.77	Relatively Low	0.94	79%

Procurement Assessment Results



Pillar	Assessment	Benchmark	Gap
I	2.42	3	-19%
I.1	2.5	3	-17%
I.2	2.33	3	-22%
II	1.58	3	-47%
II.3	1.5	3	-50%
II.4	2	3	-33%
II.5	1.25	3	-58%
III	1.61	3	-46%
III.6	1.5	3	-50%
III.7	1.33	3	-56%
III.8	2	3	-33%
IV	1.77	3	-41%
IV.9	1.2	3	-60%
IV.10	2	3	-33%
IV.11	2	3	-33%
IV.12	1.86	3	-38%

Main Findings

The Team has found that the GOA has made significant strides in improving and modernizing its procurement system, particularly its Legal Framework

There was improvement in all pillars, as compared to the 2006 assessment

Important changes have been introduced very recently, including establishment of the PPC

Main Findings



Reform efforts have focused on the legal framework, which has undergone significant improvements and scored satisfactorily



Areas with the greatest opportunities for improvements are as follows:

- The Capacity of its Institutions
- Level of Operations
- Market Development
- Internal Control Framework
- Internal and External Control Functions

Main Findings

Strengthening the Pillars of the Albanian Procurement System

- ◆ Implement Framework Contracts for small purchases and energy
- ◆ Discontinue publishing the Limit Fund
- ◆ Introduce mechanisms to deal with Lowballing and eliminate current formula
- ◆ Simplify the procurement process
- ◆ Upgrade the e-GP platform to fully meet needs

Main Findings

Strengthening the Pillars of the Albanian Procurement System

- Enhance the capacity of the PPA by reducing the structure of 1700 via an appropriate change management strategy
- Develop a Public Procurement Cadre
- Proactively engage the Private Sector

Main Findings

Strengthening the Pillars of the Albanian Procurement System

- Integrate the Procurement System with the Public Financial Management System
- Enhance the planning function
- Adopt a common integrated internal control framework
- Modernize internal and external control functions

Common Themes

Overall, the weaknesses found by the Team in the Albanian Procurement System may be addressed through the adoption of:

**An Integrated
Internal Control Framework**

**A comprehensive
Change Management Strategy**

Matrix Capacity Development Plan

The Team has developed a Capacity Action Plan in the form of a Matrix, which lists Areas for Improvement and their corresponding Possible Actions

Areas of Improvement are matched with criteria in government policy:

- Efficiency
- Transparency
- Competition
- International Practices

Possible Actions are graded on:

- Time Required
- Difficulty
- Impact

Criteria in Government Policy				Areas for Improvement	Possible Actions	Assessment		
Efficiency	Transparency	Competition	International Practices			Time Required	Difficulty	Impact
Pillar I - Legislative and Regulatory Framework								
	X	X	X	<p>The PPL does not cover concessions. Art. 4 of the PPL vaguely references to the application of other laws that are not specified. Furthermore, the PPL provisions for procurement by public utilities (a.k.a. sectoral contracts) lack clarity and congruency. This condition creates confusion among public utilities as to how to best channel their procurement to be in compliance with the law. This results in inconsistencies and opens the door to potential non-compliance and less than transparent procurement practices. For instance, Article 58/6 provides for the unnecessary exclusion from the scope of application of the PPL of purchases of energy, fuels and water if such goods are used for the production of energy.</p>	<p>Undertake a review of the PPL aimed at:</p> <ul style="list-style-type: none"> Incorporating the treatment of concessions into the scope of the PPL. Clarifying provisions applicable to the procurement by public utilities ensuring that their needs are properly covered without leaving loopholes or provisions requiring further clarification. Include definitions or cross-references to the specific body of law where the meaning and scope of the following relevant legal terms and concepts are properly explained: 	C	B	A

Criteria in Government Policy				Areas for Improvement	Possible Actions	Assessment		
Efficiency	Transparency	Competition	International Practices			Time Required	Difficulty	Impact
Pillar I - Legislative and Regulatory Framework								
X	X	X	X	<p>Although the PPL provides for the use of framework contracts, their application and use has not yet been decided by the PPA. Accordingly, the Rules and Regulations do not include guidance on the potential use of framework contracts. Furthermore, the e-GP platform –as is- cannot accommodate framework contracts.</p> <p>In the particular case of Albania, and given government efforts about improving –among others- the efficiency and effectiveness of its public procurement system, use of framework contracts would result in a cost-effective and transparent solution for the procurement of commodities, recurrent items and small purchases, as well as for purchases by public utilities, such as energy. Especially considering that the PPL does not provide for a direct purchasing modality applicable to petty-cash purchases (i.e. small value procurement that are based on considerations of cost-effectiveness are normally purchased directly and paid through petty-cash).</p>	<p>Undertake the necessary steps to effect implementation of the framework contract modality in the short-term. Such steps should encompass –among others – the following:</p> <ul style="list-style-type: none"> Revision of the e-GP platform to accommodate framework contracts, by providing for electronic catalogs and on-line bidding by qualified eligible vendors/suppliers. Detailed guidance on the scope of application and implementation of the various types of framework contracts, such for small value purchases, concentrated procurement such as office supplies; medicines; computer equipment; etc.; and purchases by public utilities, such as purchases of energy. <p>If properly implemented, framework contracts would help simplify procurement while contributing to increase the level of participation and competition amongst potential eligible participants. This in turn will produce considerable savings while improving the overall transparency, competitiveness and cost-effectiveness of the public procurement process.</p>	B	B	A

Matrix Capacity Development Plan

Some Actions include:

- Incorporate a Concessions Regime to the PPL**
- Discontinue Advertising Fund Ceilings in Public Tenders**
- Replace the Formula for Abnormally Low Prices with Common-Sense Approach**

Matrix Capacity Development Plan

Some Actions include:

- Review and Amend the Rules and Regulations to the PPL**
- Develop a Comprehensive Training Strategy on Public Procurement**
- Modernizing and Upgrading the e-GP system**

Matrix Capacity Development Plan

The Action Plan will allow donors to coordinate their assistance to GOA by directing efforts towards high-priority areas and maximum-impact actions that complement GOA's ongoing efforts to have a world-class procurement system

The Report contains a detailed matrix that covers actions that may be undertaken in the short (less than six months) , medium (six months) and long term (1 year)

Matrix Capacity Development Plan

The Team would like to thank the GOA for its support in this assessment

We are at your disposal to answer any questions you may have

