



HEALTH SERVICE ADMINISTRATORS WORKSHOP

PUBLIC PROCUREMENT ACT –

i. POLICIES, PROCESSES & PROCEDURES

ii. INVENTORY MANAGEMENT

PRESENTED BY: T. AFFOTEY-WALTERS

DEPUTY DIRECTOR – PROCUREMENT

@ KUMASI

16TH MAY 2007

PROCUREMENT ACT

OUTLINE

- Introduction
- Procurement Practices In The Past
- Public Procurement Act
- Implementation Framework
- Policies
- Processes
- Procedures
- Inventory Management

PROCUREMENT ACT

INTRODUCTION

- The first five year Medium Term Health Strategy (MTHS) spanning 1997 – 2001 for the Ministry of Health identified procurement as one of the key areas for capacity building.
- Procurement Procedures were developed and incorporated into a procurement procedures manual to guide procurement actions within the public health sector.
- Intensive information sessions on the manual were organised across all levels of health care delivery in Ghana.

PROCUREMENT ACT

Procurement in the Public sector has been characterised in the past by:

- Lack of transparency in the award of contracts
- Unfair practices resulting in manipulation of the contract process
- Lack of competition
- Over and under – invoicing
- One man showmanship

All these compromised the integrity and sanctity of the existing procurement system.

PROCUREMENT ACT

THE ACT (ACT 663)

- In 2003, the Parliament of the Republic of Ghana passed the Public Procurement Act, Act 663.
- The Act seeks to specifically;
 - Provide guidelines for best practices in procurement
 - Eliminate fraudulent practices
 - Secure value for money in Public Procurement
 - Maintain the integrity and sanctity of the Procurement Process
 - Prescribe appropriate sanctions for Acts of mis-procurement. Section 92 of the Act prescribes sanctions for offences committed under the Act.

PROCUREMENT ACT

- The Public Procurement Act rests on 4 pillars:
 - Transparency
 - Fairness
 - Economy
 - Sanctions

PROCUREMENT ACT

- A procurement plan is an integral part of the procurement process. It is one of the essential tools in achieving the ultimate objectives of Public Procurement.
- To achieve value for money (VFM), the preparation of the procurement plan is inextricably linked with the entity's budget in which the requirements of recurrent inputs - goods, works and services are listed and quantified in monetary terms during a particular year (financial year)

PROCUREMENT ACT

- The procurement plan serves as a check (control) on frivolous, otherwise unplanned procurement activities.
- Section 21 of the Act 663 requires that procurement entities (BMC's in our case) prepare a plan for their annual procurement spend.
- Procurement plan, is essentially a time-bound activity, also serves as means of measuring performance against pre-planned activities vis-à-vis the set goals.

PROCUREMENT ACT

- The procurement plan shall include;
 - A detailed breakdown of the goods, works and services required
 - A schedule of the delivery, implementation or completion dates for all goods, works and services required
 - The source of funding
 - An indication of any items that can be aggregated for procurement through any applicable arrangements for common use items
 - An estimate of the value of each package of goods, works, services required and the source of funding

PROCUREMENT ACT

- Details of any committed or planned procurement expenditure under existing multi-year contracts
- Planning for procurement will;
 - eliminate the number of rush orders
 - lower purchase costs
 - improved service delivery.
- **Section 21 (5) states that “An entity shall not divide a procurement order into parts or lower the value of a procurement order to avoid the application of the right procedures”**

PROCUREMENT ACT

MANAGING THE PROCUREMENT PROCESS

- The process of public procurement is started at the initiative of the BMC, which solicits “**offers**” from potential suppliers of the goods and services in question.
- In our context, these offers are also referred to as “**tenders**”. In a broader context, offers can also be referred to as “**proposals**” or “**quotations**”.
- Tenders are normally invited on a competitive basis from several interested parties. Competitive tendering is standard for public procurement activity.

PROCUREMENT ACT

- Public procurement can be organised either through **competition** or **negotiation**.
- **COMPETITION:** this is the process where potential suppliers / contractors are invited to make a firm and unequivocal offer of the price and terms which, on acceptance, shall be the basis of the subsequent contract.
- **TYPES OF COMPETITION;**
 - **Open tender:** prospective suppliers and contractors are invited to compete for a contract advertised in the press, the **most economically advantageous tender (MEAT)** or the lowest evaluated tender generally being accepted.

PROCUREMENT ACT

- Open tendering is the preferred method for Public procurement using either the national (NCT) or the international (ICT) procedures depending on the financial threshold and other factors.
- The use of alternative methods is strictly limited to the provisions of Part IV of the Act 663.
- **National Competitive Tendering:** NCT is appropriate for lower value procurements where the goods by their nature or scope are unlikely to attract foreign competition or where there are justifiable reasons to for that procurement to be restricted to the domestic market.

PROCUREMENT ACT

- The Act permits the use of NCT for procurement of goods valued up to two hundred and fifty million GHC (¢250M).
- **International Competitive Tendering:** this is appropriate for high value or complex procurements, or where the supply of goods by their nature or scope, is unlikely to attract adequate local competition.
- The Act requires the use of ICT for the procurement of goods above fifteen billion GHC (¢15.0B) at the national level.

PROCUREMENT ACT

- **Restricted tender:** prospective suppliers are invited to compete for a contract, the advertisement of which is restricted to appropriate technical journals or local newspapers, and it is subject to specific approval being granted by the Public Procurement Board (PPB)
- It is an appropriate method of procurement where:
 - The requirement is of a specialised nature or has requirements of public safety, or public security which make an open competitive tender inappropriate
 - Due to the urgent nature of the requirement, an open competitive tender is not practical
 - The number of potential suppliers is limited; or
 - An open tender has failed to bring an award of contract

PROCUREMENT ACT

- **Selective tender:** tenders are invited from suppliers/ contractors on an approved list who have been previously ‘vetted’ regarding their competence, financial standing and mandatory business requirements.
- This is based on comparing price quotations obtained from several suppliers, usually at least three up to six, to ensure competitive prices.
- RFQ may be used when:
 - The estimated value falls within the specified threshold of up to fifty million GHC (¢50.0M).

PROCUREMENT ACT

- **Negotiated tender:** a tender is negotiated with only one supplier/ contractor so that competition is eliminated. The contracts are usually known as **SOLE SOURCING** or proprietary.
- This is subject to specific approval being granted by the PPB, and may be appropriate when;
 - The purchase is for urgently needed products, provided this is restricted to the minimum quantity to meet the urgent need until a purchase by other method can be fulfilled
 - The requirement can only be supplied by one source for physical, technical or policy reasons e.g. the required equipment is proprietary and obtainable only from one source
 - When national security (non-economical) considerations are paramount

PROCUREMENT ACT

PROCEDURES

- **Tendering** is a formal procedure by which competing tenders for a particular contract are **invited, received and evaluated**, whereupon the contract is awarded to the tenderer who has submitted the **most economically advantageous tender (MEAT)**
- The Act prescribes tendering procedures for each procurement in such a way as to elicit **transparency, fairness, competition and value for money** e.g.
 - Invitation for Tenders-Adverts in Newspapers/ journals
 - Request for Quotations- independent submissions

PROCUREMENT ACT

- The tender document consists of three main parts which include;
 1. **An administrative part** which describes the rules and conditions pertaining to the tender – it instructs tenderers on the procedure for submission of tenders
 2. The **schedule of requirements** and the **technical specifications** - it describes the goods to be procured, and inform tenderers of the criteria for evaluation of tenders
 3. The **contractual part** which explains the legal basis for the contract – it defines the conditions of any resulting contact

PROCUREMENT ACT

PREPARATION OF TENDER DOCUMENT

- The preparation of tender documents is a teamwork, the **Instructions to Tenderers** and the **General Conditions of Contracts** should not be changed. However, modifications can only be made through the **Tender Data Sheet** and **Special Conditions of Contract** respectively.
- The key sections that need completion and modifications are;
 - Invitation to Tender (ITT)
 - Tender Data Sheet (TDS)
 - Schedule of Requirements
 - Technical Specification: Design (Conformance) Oriented and Performance Oriented Specifications
 - Special Conditions of Contract
 - Sample Forms

PROCUREMENT ACT

INVITATION ADVERTISEMENT FOR NCT & ICT

- Publication of the advertisement must allow sufficient time before the deadline (closing date and time) to enable prospective tenderers to obtain the tender documents and to prepare and submit their tenders.
- The period allowed should be a minimum of 6 weeks for ICT, and 2 weeks for NCT following the date of the first advertisement

TENDER CLARIFICATIONS

- Tender documents should be so worded as to permit and encourage competitive tendering and should set forth clearly and precisely

PROCUREMENT ACT

EXTENSION OF TENDER CLOSING DATE

- The closing date for submission of Tenders may be extended at the discretion of the Entity for practical or justifiable reasons.

REJECTION OF TENDER BEFORE TENDER OPENING

- A Tender process may be cancelled at anytime before the deadline for receipt of tenders with the approval of the Entity Tender Committee. The grounds for rejection must have been stated in the Tender Documents.

RECEIPT OF TENDERS

- All Tenders shall be deposited in the designated locked tender box until the Tender opening.

PROCUREMENT ACT

OPENING OF TENDERS

- Tender opening shall commence immediately after the close of the tenders.

REQUEST FOR QUOTATION

- The RFQ shall be used for the procurement of goods for smaller values as stated in the schedule.

ISSUE OF REQUEST FOR QUOTATION

- The procedure for issue for RFQ to short-listed tenderers follows as:
 - Prepare the RFQ Document together with a personalised Letter of Invitation for each short-listed tenderer;
 - Send the invitation by registered post to all short-listed tenderers, or deliver by hand and obtain a written receipt;
 - If the tender is subject to conformity with a sample or samples, obtain written acknowledgement from the tenderer that the sample or samples have been inspected

PROCUREMENT ACT

EVALUATION

- The purpose of Tender Evaluation is to determine the cost of each Tender in a manner that will permit comparison of tenders on the basis of their evaluated cost.
- The submitted Tender with the **Most Economically Advantageous Tender** (lowest evaluated cost) but not necessarily the lowest submitted price, should be selected for award. The process is:
 - Preliminary Examinations of Tenders
 - Responsiveness of Tenders Financial Evaluation of Tender
 - Treatment of Discounts
 - Evaluation Reports and Recommendations

PROCUREMENT ACT

AWARD NOTIFICATION

- Having selected a supplier and agreed on details, the next stage is to issue an award notification, and the following pursued;
- **Notification To Unsuccessful Tenderers**
- **Return Of Tender Securities**
- **Contract Management**
- **Contract Effectiveness:**
 - Receipt by the entity of the Performance Security;
 - Receipt by the entity of an Advance Payment Security (Guarantee)
 - Receipt by the Supplier of the Advance Payment;
 - Receipt by the Supplier of an acceptable and agreed upon Letter of Credit

INVENTORY MANAGEMENT

INTRODUCTION

- The control of inventories and the management of supplies have, in common with the other major branches of commercial and industrial work, become specialist activities.
- The stores function has the responsibility for the receipt, custody and distribution of very large sums of money in the form of health commodities (goods),
- The determination of appropriate quantities of material to be held in order that operational needs may be met in an economic a manner as is possible. The stores function must be managed and operated in a highly efficient way.

INVENTORY MANAGEMENT

PURPOSE OF THE STORES SUITE

- The primary purpose of the stores function is to provide a service to the operating departments.
- The service given by the stores function to a health facility concern can be analysed into four main parts as follows;
 - To make available a balanced flow of health commodities and any other stocks necessary to meet operational requirements.
 - To receive and issue health commodities and other stocks
 - To accept and store expired medicines and non-medicines and other discarded materials as it arises.
 - To account for all receipts, issues and goods in stock

INVENTORY MANAGEMENT

RECEIPT & INSPECTION OF GOODS

- The Stores Department is responsible for the receipt of goods with assistance from the Procurement and the User Departments

Delivery of Goods:

- On delivery by a Supplier or carrier, the Storekeeper will;
 - Receive the goods into temporary storage
 - Examine the apparent condition of the goods and packing
 - Issue an interim receipt, noting the apparent condition, pending the meeting of an Inspection team.
 - Receive and register any invoices pending processing (through the Procurement unit) to the Accounts Department for payment following the report of the Inspection team.

INVENTORY MANAGEMENT

Issue to the User Department

- The Stores Department is responsible for maintenance of records of all goods, assets held under the custody of Individuals, Units, Departments and all facilities.
- Assets will be taken on charge in the records of the concerned Stores and subject to regular review and audit
- The Storekeeper will;
 - Issue or release items to the User Department which initiated the procurement using a SIV for the dispensation of good from the Stores
 - Record the issue from the Stores Ledger and the receipt in the Custody Ledger for the individual, Unit, Department or Programme of the BMC

INVENTORY MANAGEMENT

REASONS FOR HOLDING STOCK

Every organisation stores some materials of one kind or another for the following reasons:

- Delivery cannot be exactly matched with usage day to day
- Economies associated with buying or manufacturing in large quantities more than offset the cost of storage,
- Optional risks require the holding of stock to guard against breakdown or programme changes,

STOCK CONTROL

- Buyers will need to re-order from suppliers to replenish inventories once stocks have been used

INVENTORY MANAGEMENT

Stocktaking are conducted for both managerial and financial reasons:

- The management functions of a stocktaking are to:
 - Verify the accuracy of stock keeping records
 - Ensure efficient organisation of stocks in storage, and
 - Ensure that all stocks are useable
- The financial function of a stocktaking is to determine the value of stocks held in storage to give the organisation a complete picture of its assets.

INVENTORY MANAGEMENT

Visual Inspection

- Visual inspection is the process of examining products and their packaging by eye to look for obvious problems with product quality.
- Do a visual inspection each time commodities are being handled: when receiving, issuing, or dispensing commodities, or when doing stocktaking.

Disposal of Unserviceable Commodities

- Unserviceable health commodities should be disposed of in accordance with the guidelines as dictated in Part VIII of the Act 663

INVENTORY MANAGEMENT

STORING HEALTH COMMODITIES

- Storage conditions will affect the quality of the products being stored. Rooms that are too hot, stacks of boxes that are too high, and many other things can cause damage to health commodities.
- By maintaining storerooms in the best condition possible, we can reduce the chances that our products will become damaged or otherwise unusable.
- A well organised storeroom will simplify our work: time will not be wasted trying to find things

INVENTORY MANAGEMENT

Stores Organisation and Shelving

- Organise your storage area into zones as needed:
 - a cold storage area for vaccine and other items requiring cold storage
 - A secure room or locked cage for narcotics and controlled substances
 - A zone in which to store flammable materials, ideally in a separate building or room
 - Additionally, at RMS, there should also be a zone for fast-moving items
- Stack commodities on their shelves according to **FEFO, first-to-expire, first-out.**

INVENTORY MANAGEMENT

Product Shelf Life

- For each health commodity and contraceptive, the manufacturer determines the product's *SHELF LIFE*. The shelf life is the length of time a product may be stored under adequate conditions without affecting its usability, safety, purity, or potency. When a commodity reaches the end of its shelf life, ***it has expired and should not be distributed.***
- While most commodities are marked with their expiration date, you should be familiar with the shelf lives of the commodities you handle.
- **Note:** most tablets have a three year shelf life and most injectables have a two-year shelf life.

INVENTORY MANAGEMENT

Following FEFO

- FEFO means FIRST-TO-EXPIRE, FIRST-OUT. All health commodities should be organised and issued according to FEFO. Because of storage at intermediate facilities, improper issuing and multiple suppliers for the same product.
- It is possible to receive health commodities that will expire sooner than those already in stock. That is why it is very important to check the expiration date of health commodities when they are received and to shelve them according to FEFO.

INVENTORY MANAGEMENT

- To prevent wastage, ensure that all products are used before they expire by;
 - Mark expiry dates on outside of cartons or boxes
 - Place cartons or boxes o stocks first to expire are stacked in front of or on top of stocks that will expire later.
 - Issue commodities from front to back or top to bottom so older commodities are issued first
 - When you have two or more batches of the same commodity with different expiry dates, use a separate bin card for each expiry date.
- NB: Follow FEFO and not FIFO

INVENTORY MANAGEMENT

PROTECTING GOODS AGAINST DAMAGE

- The purpose of storage is to the quality and package integrity of commodities as well as to ensure overall product safety, while at the same time making them available for use.
- Products should be protected from sun, heat and water .
- Follow manufacturer recommendations for storing commodities (this information should be printed on the product cartons and boxes).

INVENTORY MANAGEMENT

SECURITY OF GOODS

- To ensure that health commodities are kept secure, the storekeeper need to:
 - Make sure there is one person responsible for the health commodities; appoint an alternate to be in charge when that person is absent
 - Keep store locked
 - Make sure the store and the building are in good condition
 - Conduct regular stocktakings
 - Keep adequate fire fighting equipment available and in easy reach
 - Make sure goods are secured from theft
 - Demarcate between the stores and the working and customer service areas.
 - Restrict access to stores to only authorised personnel

INVENTORY MANAGEMENT DISPOSAL OF STORES, PLANT, EQUIPMENT AND VEHICLES

- Section 83 of the Act mandates the Head of a Procurement entity to dispose off stocks that become obsolete, redundant and unserviceable or surplus to requirement, in an orderly and systematic manner.

INVENTORY MANAGEMENT

AUTHORITY TO DISPOSE OFF

- The head of entity shall;
 - convene a Board of survey comprising representatives of departments with unserviceable, obsolete or surplus stores, plant equipment and vehicles.
 - The Board of survey shall report on the items and subject to a technical report on them recommend the best method for disposal after the completion of the Board of survey form (certificate of unserviceability).
 - The Board of survey's recommendations shall be approved by the head of the procurement entity and the items shall be disposed of as approved.

INVENTORY MANAGEMENT

Disposal of obsolete and surplus items shall be by:

- Transfer to government departments with or without financial adjustment. This is applicable where an asset can be usefully deployed by another procurement entity.
- Sale by public tender to the highest bidder subject to reserve price
- Sale by auction subject to reserve price
- Destruction, dumping or burying as appropriate. This is appropriate where the asset has no residual value and cannot be converted into any other form which subsequently give it value.

CONCLUSIONS

- The Public Procurement Act is a set of procedures and rules that has the potential for improving efficiency in Procurement in the Public sector
- The Act, no doubt, has all the ingredients of a law that aims at efficient procurement practices
- Its ability however to achieve the purpose for which it was passed depends on:
 - the level of compliance by Public officers
 - the monitoring and enforceability systems in place.
 - the timely application of rewards and sanctions.
 - commitment of the Government, heads of entities and people like us to make the law work

REVIEW

- Introduction
- Procurement Practices In The Past
- Public Procurement Act
- Implementation Framework
- Policies, Processes, & Procedures
- Inventory Management
- Conclusion



THANK YOU ALL