



E-Procurement Bulletin



P u b l i c P r o c u r e m e n t A u t h o r i t y

BUILDING BLOCKS FOR EFFECTIVE PROCUREMENT MANAGEMENT

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Management as a function is defined by the *Business Dictionary.com* as “the organization and coordination of activities of any enterprise in accordance with set objectives”. It is the act of getting people and resources together to accomplish desired goals and objectives in an efficient and effective manner.

As far as the provisions of the Public Procurement Act, 2003 (Act 663) are concerned, public procurement function as performed within Entities is to be regarded as a core management function that helps in the realization of organizational goals. Like all managerial functions, it entails various components or building blocks namely: “*Planning, Organizing, Leading and Controlling*”-Wikipedia.

To exterminate any semblance of arbitrariness in the practice of procurement, the process of *Planning* certainly must be given critical attention. Indeed, Section 21 of the Act 663 enjoins all procurement entities to prepare annual procurement plans to support their approved programs. These plans are supposed to give explicit indications of con-



tract packages and their estimated cost, the proposed procurement method to be used, and the processing steps and lead times for the completion of the procurement process. It is believed that the only way that procurement can be conducted professionally is to ensure that procurement activities are undertaken according to approved plans and not in an ad hoc manner.

The second component of procurement management is its ability to *Organize* human, financial and other resources to carry out the approved plans in a systematic manner. Part 2, 3, 4 and 5 of the Public Procurement Act prescribes the required procurement

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Online Activities

List of entities that have submitted their 2011 Procurement Plans online As At March, 2011

- | | |
|---|--|
| 1. Accra Polytechnic | 46. Ghana National Fire Service |
| 2. Achimota Hospital | 47. Ghana Police Service |
| 3. Adenta Municipal Assembly | 48. Ghana Prisons Service |
| 4. Ashaiman Municipal Assembly | 49. Ghana Revenue Authority |
| 5. Atua Government Hospital | 50. Ghana Shippers Council |
| 6. Bank of Ghana | 51. Ghana Standards Board |
| 7. Berekum Tr. College | 52. Ghana Trade Fair Company Limited |
| 8. Bolgatanga Polytechnic | 53. Ghana-India Kofi Annan Center of Excellence |
| 9. Bulk Oil Storage and Transportation | 54. Grains And Legumes Development Board |
| 10. Bureau of National Investigations (BNI) | 55. Ho Polytechnic |
| 11. Cape Coast Metropolitan Assembly | 56. Institute Of Professional Studies |
| 12. Centre for Scientific Research Into Plant Medicine | 57. Internal Audit Agency |
| 13. Commission on Human Rights and Administrative Justice | 58. Juaben District Hospital |
| 14. Controller And Accountant General Dept | 59. Judicial Service |
| 15. Council for Law Reporting | 60. Kade Government Hospital |
| 16. Council for Scientific and Industrial Research | 61. Koforidua General Hospital |
| 17. Dangme West District Assembly | 62. Koforidua Polytechnic |
| 18. Dental School | 63. Komfo Anokye Teaching Hospital |
| 19. Department of Children | 64. Korle bu Teaching Hospital |
| 20. Department Of Urban Roads | 65. La Polyclinic |
| 21. Driver and Vehicle Licensing Authority | 66. Ledzokuku-Krowor Municipal Assembly |
| 22. Dunkwa District Hospital | 67. Maamobi Polyclinic |
| 23. Effa Nkwanta Regional Hospital | 68. Medical School |
| 24. Effiduase District Hospital | 69. Minerals Commission |
| 25. Effutu Municipal | 70. MINISTRY OF CULTURE And CHIEFTAINCY |
| 26. Electoral Commission | 71. MINISTRY OF EDUCATION |
| 27. Enchi Tr. College | 72. MINISTRY OF ENERGY |
| 28. Energy Commission | 73. Ministry of Environment Science and Technology |
| 29. Environmental Protection Agency | 74. MINISTRY OF FOOD And AGRICULTURE |
| 30. Export Development and Investment Fund | 75. MINISTRY OF FOREIGN AFFAIRS AND REGIONAL INTEGRATION |
| 31. Forestry Commission | 76. MINISTRY OF HEALTH |
| 32. Ga East | 77. MINISTRY OF JUSTICE AND ATTORNEY GENERAL |
| 33. Ga West (Ga) | 78. MINISTRY OF LANDS, FORESTRY And MINES |
| 34. Ghana Academy of Arts And Sciences | 79. MINISTRY OF LOCAL GOVERNMENT AND RURAL DEVELOPMENT |
| 35. Ghana Airports Company Limited | 80. MINISTRY OF THE INTERIOR |
| 36. Ghana Atomic Energy Commission | 81. MINISTRY OF TOURISM And DIASPOREAN RELATION |
| 37. Ghana Audit Service | 82. Ministry of Transport |
| 38. Ghana Broadcasting Corporation | 83. Ministry of Women and Children Affairs |
| 39. Ghana Civil Aviation Authority | 84. Mount Mary College |
| 40. Ghana College of Physicians and Surgeons | 85. Mpohor Wassa East |
| 41. Ghana Grid Company Ltd. | 86. Narcotics Control Board |
| 42. Ghana Immigration Service | 87. National Board for Professional And Technical Examinations |
| 43. Ghana Institute of languages | 88. National Board for Small Scale Industries |
| 44. Ghana Institute of Management And Public Administration | |
| 45. Ghana Library Board | |



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|--|---|
| 89. National Cardiothoracic Centre | 116. Social Security and National Insurance Trust (SSNIT) |
| 90. National Commission on Culture | 117. South Dayi District Assembly |
| 91. National Development Planning Commission | 118. St. Joseph's Tr. College |
| 92. National Health Insurance Authority | 119. St. Mary's Secondary School |
| 93. National Identification Authority | 120. St. Monica Training College |
| 94. National Insurance Commission | 121. Students Loan Trust Fund |
| 95. National Lottery Authority | 122. Suhum Government Hospital |
| 96. National Petroleum Authority | 123. Sunyani General Hospital |
| 97. National Road Safety Commission | 124. Sunyani Polytechnic |
| 98. National Service Secretariat | 125. Sunyani West |
| 99. National Vocational Training Institute | 126. Takoradi Polytechnic |
| 100. Noguchi Memorial Institute | 127. Tamale Polytechnic |
| 101. Non Formal Education Division | 128. Tema Metropolitan Assembly |
| 102. Nyinahin District Hospital | 129. Tetteh Quarshie Memorial Hospital |
| 103. OFFICE OF THE PRESIDENT - MAIN | 130. Twifo Praso Health Assistants Tr. Sch. |
| 104. Office of the Regional Health Directorate – Eastern
Region | 131. University Ghana School of Pharmacy |
| 105. Parliament | 132. University Of Cape Coast (UCC) |
| 106. Peki Training College | 133. University Of Ghana (UG) |
| 107. Pharmacy Council | 134. University of Ghana Business School(UGBS) |
| 108. Public Procurement Authority | 135. University Of Science And Technology (KNUST) |
| 109. Public Utilities Regulatory Commission | 136. Volta River Authority |
| 110. Registrar Generals Department | 137. Wa Polytechnic |
| 111. School of Allied Health Sciences | 138. Water Resources Commission |
| 112. Serious Fraud Office | 139. Wesley Girls High Sch. |
| 113. Shama Ahanta | 140. West African Examination Council |
| 114. Shama-Ahanta East Metropolitan Assembly | 141. Western- Regional Co-ordinating Council |
| 115. SIC Life Company Limited | 142. Wiawso Tr. College |

The Authority urges all other entities who have not submitted their plans as yet to emulate the example of the above listed entities and comply accordingly.

Tendering and contract Information for periods indicated

[Tendering Opportunities for May - Jun 2011](#)

[Contracts Awarded for Jan-Jun 2011](#)

[Restricted Tender Awards Jan-Jun 2011](#)

[Expression of Interest Requests May -Jun 2011](#)

The links above will take you directly to the PPA Website Reports for the months of period indicated.



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human structures, rules and methods that are to be employed during the process of procurement. Moreover, schedules 1 & 2 of the Act 663 also specifies the exact membership compositions for Entity Tender Committees (ETCs) and Tender Review Boards (TRBs) for all categories of institutions. The ultimate purpose of these stipulated structures and tendering procedures is to ensure that decisions on what and how to procure are done in a corporate manner and obtain best value for money.

Another key element required for effective procurement management is the ability of procurement professionals to provide Leadership to their institutions as far as issues pertaining to public procurement is concerned. This form of leadership is supposed to be knowledge-based. Thus, the onus is on individual procurement officers and practitioners to develop their capacities and broaden their understanding of the provisions of the Public Procurement Act, as well as acquire the requisite communication and managerial skills that will enable them to provide the much needed procurement advice and direction to management whenever is needed. Furthermore, it is anticipated that as procurement professionals display such high leadership skills at their institutions they will be able to receive the necessary cooperation and win the confidence of management in all their activities.

Finally, given the varied risks associated with the practice of procurement, the fourth and perhaps the most essential element for effective procurement management is the need for strict adherence to Control mechanisms during the conduct of procurement activities. The rationale for these controls is to ensure that procurement managers are able to determine and guarantee the accomplishment of organizational objectives as far as

product/service specifications and other procurement requirements are met. Below are examples of procurement rules prescribed by the Public Procurement Act, which require strictly adherence:

1. Procurement Entities must adhere to the same day closing and opening of tender rule;
2. A Procurement Entity must disqualify any tenderer that submits false information for purposes of qualification;
3. The price of tender documents should only cover the cost of printing;
4. Procurement Entities shall respond to any request by a supplier or contractor if that request is made within 10days prior to deadline for submission;
5. Tender documents must indicate the deadline for tender submission date, time and venue for opening;
6. Tenderers willing to participate in Tender Openings should be allowed to do so;
7. Entities could invite external persons to serve on tender evaluation panels;
8. Tender Documents are evaluated on the basis of the terms and conditions stated in the tender document.
9. No criteria other than those prescribed in the Tender document can be introduced at any stage of the Evaluation Process.

To this end, it is imperative for public procurement entities adhere to the management principles in the Procurement Act for effective and successful procurement processes in line with the entities overall corporate objectives.

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Principal Public Affairs

PPA



A BRIEF WRITE-UP ON GHANA VALUE FOR MONEY (VFM) CONTRACT ASSESSMENT SERVICES PROJECT



Introduction/Funding

The Ghana Value for Money (VFM) Contract Assessment Services Project is implemented under the auspices of the Ministry of Finance and Economic Planning (MOFEP) with Crown Agents (CA) as consultants. The principal objective of the project is to achieve improved efficiency, transparency, accountability and value for money in government financial resource utilisation.

Britain's Department for International Development (DFID) funded the Project to the tune of £500,000 for a two-year period commencing January 2000. The DFID-funded phase, subsequently termed the Phase 2, followed a two-year pilot phase (Phase 1), which was initiated and funded by MOFEP during which Crown Agents were contracted to review certain high value, single-sourced contracts prior to contract effectiveness to ensure that they would deliver "value for money" to the Government of Ghana (GOG).

As a result of the success of Phase 1, during which

contract price savings of 14% were identified together with other non-financial VFM enhancements and contract risk minimisation, GOG undertook two important activities:

Set out a policy statement requiring all single-sourced, buyer- or supplier-credit funded contracts to be subject to pre-contract VFM audit;

Sought and secured donor (DFID) funding to continue the services for a further two-year period that is the Phase 2 of the project.

At the end of Phase 2, DFID again provided funds for a continuation of the project for a further 1-year period up to the end of March 2003. Ministry of Finance and Economic Planning has funded the project from April 2003 to date.

Output of Audits

Specific Value for Money (VFM) reports are issued at the end of each audit assignment to the



Ministry of Finance and Economic Planning that addresses and recommends improvements on all aspects of the contract where risks exist thereby ensuring equity to both Buyer [in this case, Government of Ghana (GOG)] and Supplier or Contractor. The recommendations are effected through re-negotiations involving the parties (MOFEP/MDA/Contractor or Supplier). Savings realised during negotiations are ploughed back into the contract to achieve increased scope of works/supplies for the Government of Ghana.

Achievements

Through the (pre-contract-effectiveness) VFM audit work, the following were achieved during implementation of the project to date:

- Over 160 pre-contract effectiveness audit assignments undertaken with aggregate value in excess of US\$2 billion.
- A substantial number of contracts were identified as high risk and stopped, saving the Government the corresponding potential debt.
- Substantial price premium identified of up to 20% of the value of some individual contracts.
- Recommendations made to strengthen procuring entities' contractual position, reduce exposure to risk, and improve final procurement outcomes in their favour.
- Learning outcomes, guidelines and best practice recommendations produced for wider dissemination at VFM workshops organised in 2003 and 2010.

Key Findings

Adverse

- Weak contract terms and poor implementation or delivery arrangements that adversely impact on VFM.
- Poor acceptance/taking-over procedures that adversely impact on VFM.
- Inadequate warranty provisions, or weak ar-

rangements for post-contract maintenance support, etc.

- Lump-sum price packages that do not lend themselves for easy verification on the reasonableness or otherwise of the offered contract prices.
- Adverse payment terms, including often-high advance payments that are unfavourable to the Purchaser and often not tied to specific deliverables from the Supplier
- Imprecise definition of scope of supply and/or services leading to lack of clarity in substance of contracts.
- Poor functional specifications where mere material descriptions are provided instead of performance-based specifications.
- Non-use of standard or model forms of contract
- Payments not always related to progress of works completion (civil works contracts)
- Supplier credit financing featured as the main driver of single source contracting in Ghana, leading to supplier-drafted contracts, which in many cases tend to favour suppliers/contractors more than the Employer or Buyer.
- Absence of Advance payment guarantee has been identified as another problematic factors escalating the risk of the Employer
- Freedom of contractor to outsource some or all aspects of works to sub-contractor without approval of Employer also emerged a risk prone area for VFM attainment
- Where Model Forms of Contract (MFCs) are used, the case remains that substantial amendments are being introduced under the Special Conditions or Conditions of Particular Application, which expose the Employer or Buyer to significant financial and contractual risks.
- Suppliers' reluctance to provide additional information at a request;
- Lack of background information – including Employer's Requirements, needs analysis, sourcing



strategy, procurement method or tendering process, evaluation criteria and contract award decision criteria, decision making process, financing arrangements (including conditionalities), and overall project objectives

Positive

Some potential suppliers have made enquiries from the VFM office on the audit process with the view of making acceptable submissions. This is 'upstreaming' the process, as has always been recommended. It is expected that such efforts should result in improvements in the quality of contract documents to be submitted in future

- Increased awareness and acceptance of VFM project following the workshop in November 2001

Key Learning Outcomes

Adverse

- The conditionalities of some finance packages present major challenges to the attainment of value for money for procuring entities. For instance, one works contract reviewed included a quite unrelated component - for a separate consultancy study in a separate location in a different region, for 20 % of the contract price. A key factor appears to be to meet the (80%) content for donor country-sourced inputs.
- The absence of complete information for the VFM Consultant necessarily lengthens the time required for assessment, constrains the undertaking of more thorough assessments, and can weaken the attainment of VFM

- Even where a contract is VFM-optimised at the contract formation stage, the realisation of VFM gains during contract implementation may be affected by capacity constraints in implementation management, supervision or cost control.

Positive

- Need for early interventions ("upstreaming") in order to build in best VFM outcomes right from the start.
- Need for use of standard model forms of contract (MFC), wherever appropriate, in order to provide a proper basis for attainment of VFM.
- Scope of supply and product specifications to be dictated by well defined needs assessment of the Employer
- Workshops are seen as an effective means of disseminating VFM key lessons, outcomes, and benefits to target audiences and stakeholder group. The implementation of an overall dissemination strategy, incorporating further workshops, would be beneficial to long-term sustainability.
- It is expected that the inquiries made by prospective Suppliers regarding VFM procedures ("Upstreaming") would translate to improved documents to be presented to the line ministry as a basis for a contract agreement.

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Benefits of e-Procurement to the Regulator

In previous articles on benefits of E-Procurement, we have attempted to enumerate the general benefits of E-procurement, and then focused on the benefits to the Public and Private sectors. Focus of this article is on the benefits of E-Procurement to the regulator.

By the Public Procurement Act, 2003 (Act 663), the Public Procurement Authority is the regulator of all government procurement activities in Ghana as established by the Act. As an oversight body its functions and monitoring activities are widespread. Among the functions of the Authority as stipulated in the Act include;

- Monitor and supervise public procurement and ensure compliance with statutory requirements
- Have right to obtain information concerning public procurement from contracting authorities
- Establish and maintain an information system relating to public procurement
- Maintain a data base of suppliers, contractors and consultants and a record of prices to assist in the work of procurement entities

The PPA through its website www.ppaghana.org, is able to gather and disseminate as much information as possible on procurement activities, such as Tender advertisements, contract awards and Average Price list. It has also developed an online Procurement Planning Software to enable public entities plan their yearly procurement activities and, a Public Procurement Model of Excellence tool for assessing entities performance. These are all efforts and systems put in place by the authority to meet its stipulated functions.

It is expected that a fully implemented E-Procurement system will offer additional benefits to the PPA including;

Monitoring and Compliance

With an e-procurement system in place, it will be mandatory for all government entities to use the platform for its procurement activities. This will require that all tender notices, participation of tenderers as well as tender evaluation (price, technical specification, financial status, etc) to be conducted online. This will enable the authority monitor compliance of entities with stipulated tendering process. This will include tender opening and closing periods, evaluation criteria, notification of contract award, and in some cases contract performance.

Reduction in Complaints

The authority receives a number of complaints covering such issues as loss of tenders, late opening of tenders, destroying of tenders, congestion at tender openings, suspicion with award of contract and many more. An e-procurement system will eliminate such complaints. Tenders submitted online cannot be tampered with, tender closing will be done automatically by the system, there will be no need for tender opening and tender evaluation and award will be done online based on set criteria, thereby eliminating issues relating to suspicion of contract awards. Simply put no tender fracas.

Data Exchange

There will be an increased data exchange between public entities and tenderers be it contractors, suppliers and consultants. These data will provide the Authority with wide range of information to enable it generate statistics on public procurement activities in the country. Such information will help in policy formulation, government budgetary allocations, etc. Wide range of reports can be generated for decision making such as;

- Total Procurement Summary
- Summary of works completed
- Feedback Report
- Tender Search Details



- Tender Data Statistics
- Tenders Geographical Wise
- Department Wise Tenders
- Validated database of contractors experience and many more.

Indeed a fully implemented e-procurement system will serve as a good platform to the PPA in achieving its mandated functions. Foremost it will give a single platform from which the PPA can reach all public procurement entities. It will also improve communication between the PPA and the entities. Due to the reduced human interaction with online systems, an e-

procurement system will enhance transparency and improve efficiency of the procurement process, two cardinal points on which the procurement act was formulated.

With regard of the above, the PPA through the Ministry of Finance and Economic Planning and its development partners, should ensure a comprehensive implementation of an e-procurement systems, as benefits to both PPA and government are enormous.

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