

PROCUREMENT REFORM IN THE GHANA HEALTH SECTOR

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ABSTRACT. In most countries procurement is undervalued compared to the attention paid to other key areas of Public Sector Reforms. Ghana represents a case in point. Under the health reforms in Ghana, the Ministry of Health and its partners (donors, financing institutions and the private sector) recognized the importance of procurement in its Medium-Term Health Sector Strategy for Ghana 1997 to 2001. With the aid of an external consultant, using a highly participatory approach in the development, training, and the implementation of new structures and procedures, good results have been achieved. Although work is ongoing and important challenges still need to be addressed, the authors argue that the new procurement structures now in place can serve as an example of a standardized support system for health reforms.

INTRODUCTION

Procurement is still a much-undervalued area in the public sector. This is particularly true for the health sector. In many countries, hospitals or other health service units do not have qualified procurement personnel. The financial impact of procurement in health care is

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significant. In The Netherlands, e.g., this impact has been estimated to amount to 40% of the total costs of a hospital (Lenselink & Telgen, 1998). In developing countries, expenditures for drugs and other items range from 25% to 50% of the total health care cost according to the World Health Organization (Management Sciences for Health, 1997). The World Bank has become the largest single source of finance for health in low- and middle-income countries (Falkenberg & Tomson, 2000). Its procurement guidelines and procedures are well developed with contributions by experts from all over the world. They are acceptable to most countries and donors and widely used by major funding institutions.

The authors worked for several years on the development and implementation of new procurement systems in the Ghana health sector. The purpose of this case study is to provide a short description of the Ghana health reforms and the role of procurement, followed by a discussion of the interventions made and their impacts. Although the procurement improvement process is still underway and many challenges have yet to be addressed, the authors argue that the new procurement structures already in place can be used as an inspiring example of a standardized support system for health reforms.

GHANA'S BACKGROUND

The health reforms in Ghana are well known for their innovative and creative approach to health care problems in developing countries. In order to improve the health status of the population in Ghana, the Ministry of Health (MOH), in partnership with multi- and bilateral donors, financial institutions, the private sector, and non-governmental organizations (NGOs), implemented a Medium-Term Health Sector Strategy for Ghana for the period 1997 to 2001. The overall strategy in the health sector for addressing the problems of inadequate quality of life, short life expectancy, and infant, child and maternal mortality has been to provide access to basic health services and to improve the quality of health delivery through rehabilitation of health infrastructure and provision of essential health care inputs. The approach adopted by the Ministry of Health is to ensure the effectiveness of each dollar spent on health services, and it involves:

- Increased decentralization of health care delivery, especially through expansion of district-based health care networks composed of health centers and first referral hospitals; and
- Improved management of essential inputs to health care, i.e., pharmaceuticals, health sector personnel, infrastructure and equipment.

Participating donors work within the framework of both the Medium-Term Health Sector Strategy and the annual operational plans with common implementation arrangements. Financial support is to be provided to a common Health Fund and disbursements are to be made through the Ministry of Health's budget, using common procedures. These procedures are central to an effective procurement process.

PUBLIC PROCUREMENT IN GHANA

Traditionally, the legal framework for public procurement in Ghana was minimal (Westring, 1997; World Bank, 1996). The Ghana Supply Commission (since January 2000 the Ghana Supply Company Limited) used to be the parastatal procurement agency for the procurement of all public goods. However, insufficiently qualified personnel, lack of planning for the required goods, and lack of a proper database, and problems in the timely acquisition of funds led to long delivery times. As a result, more and more sector ministries decided to execute their own procurement system. Since 1999, the Ministry of Finance has been working on the development of a national Procurement Code using the recent achievements in procurement at the Ministry of Health as an example.

Public Procurement in the Public Health Sector

Since 1997, the Ministry of Health is one of the first ministries to change its procurement practices within the general framework of health reforms. With decentralization, one of the key strategies under health reform, responsibility for procurement shifted partly from national to regional and district and sub-district levels. The Ministry of Health put some basic procurement procedures, such as the initiation of Procurement Committees, in place. These committees formed part of

the financial package for the Budget Management Centers that are the health facility units (which changed from Health Centers to Hospitals) in the decentralized system of the Ghana public health sector.

However, important shortcomings in the Ministry of Health's procurement practices were not addressed. They were identified by an external consultancy (International Procurement Agency, 1998) and were confirmed in the baseline survey of the Ghana National Drug Programme (Ghana National Drug Programme, 1999). The study outlined shortcomings in the following areas:

- Unclear Statutory Basis and the absence of a Procurement Code;
- Inadequate procurement policy, strategy, planning and management capability;
- Lack of qualified procurement staff;
- Poor procurement organization and procedures;
- Poor stock management;
- Lack of available funds; and
- High prices.

Strengthening Procurement in Public Health

Under the Medium-Term Health Sector Strategy 1997 – 2001, procurement had been identified as one of the key areas. In 1997 the Ministry of Health, in consultation with the World Bank, hired technical assistance to set up a Procurement Unit and to develop a common set of procurement guidelines, procedures, and standard documents. Subsequently, intensive procurement consultancy services were executed by the International Procurement Agency from March 1998 to November 1999, followed-up by ongoing backstopping services in 2000.

The procurement consultancy services took place against the background of a rapidly changing public health sector environment closely linked to the Health Sector Reforms. The new structure, guidelines and procedures subsequently introduced were carefully molded to the procurement practitioner. The new procurement

guidelines and procedures were not a blind copy of the ones issued by the World Bank (World Bank, 1997), but addressed numerous issues specific to the situation in Ghana. Much attention was paid to making them easily adaptable to changing circumstances, such as the possible realization of a (central) Ghana Health Service (then under consideration), or relocation of the Procurement Unit, now residing in the Ministry of Health, at the Central Medical Stores, in case the latter had been granted greater autonomy.

Procurement guidelines and procedures for all levels were laid down in a Procurement Procedure Manual (Ministry of Health, 1999) for the procurement of goods, civil works and services. The manual covers the organizational structures, planning, selection and quantification, procurement methods (linked to financial thresholds), monitoring and evaluation and ethics. To complement these guidelines and procedures, standard bidding documents were prepared for the execution of tenders (or bids) for:

- Essential Drugs;
- Non-drugs Consumables, such as medical supplies and reagents;
- Health-care Equipment, including spare-parts, installation, maintenance, training and other related services;
- Services; and
- Civil Works.

After a process of participatory consultations at all relevant levels, the Procurement Procedure Manual was formally accepted in November 1999 by all partners as the agreed upon procedures for procurement in the public health sector in Ghana. Training manuals were subsequently developed in close cooperation with the Ministry of Health's human resource division. An ambitious training-of-trainers programme was launched, empowering more than 25 professionals to effectively share their knowledge and skills in their respective districts and regions nationwide. The implementation of the new procurement procedures at all levels in the public health sector (with information sessions and procurement courses all over the country) is now well under way. This

programme targets at least one trained procurement officer in each health facility by the end of 2000 (in September, 2000, more than 75% of the targeted 800 officers had been trained). From 2001 onwards, annual training and refreshment courses have been planned.

Since 1998, a procurement audit has been executed annually by an external audit team as an integrated part of the procurement reform process in the Ministry of Health (Benning & Partners, 2000, 2001; ProConsult, 1999). The audit reports prove to be useful in monitoring the implementation of the new procurement procedures and in strengthening trust among the partners in the health sector.

CONCLUSION

The recurring and often unfruitful debate on the pros and cons of procurement centralization or decentralization can be overcome by allowing the advantages of both approaches to co-exist in one organizational arrangement.

In the Ghana Health Sector strong centralized guidance on policies and procedures safeguards the quality of the procurement process throughout the public health sector. At the same time decentralized budget holders are empowered to make their own purchases whenever appropriate – especially when economies of scale make a difference or when centralized tendering and contracting of the aggregate procurement volumes best warrants value for money.

Linking proper forecasting, stock management and consumption analysis into the procurement chain is vital to making any meaningful progress in implementing best practices. Standardization of commodity groups, rigid introduction of generic specifications and implementation of simple techniques, like ABC and VEN analysis, have highly improved procurement planning practices leading to substantial, recurrent savings in the health budget. The international tenders completed in 1999 indicated an average of 37% savings for 20 key items based on historical costs.

Introduction of a comprehensive, country- and sector-specific Procurement Procedures Manual, with accompanying standard bid documents, user-friendly formats, standard commodity lists and a concise set of clear rules and guidelines, has greatly improved the

transparency of the procurement process throughout the public health sector. The Procurement Guidelines and Standard Bidding Documents issued by the World Bank¹ proved to contain useful guidelines and helped further the acceptance of the Procurement Procedures Manual by all partners in the Ghana Health Reforms.

An ambitious, cascading, procurement-training programme is bearing fruit, both improving the understanding and the correct implementation of the new procurement rules and guidelines, but also providing vital feedback from users and buyers on all levels nationwide. This allows continuous improvement of standards and practices and fosters regular contact among purchasing professionals.

The implementation of standardized procurement procedures, acceptable by all partners (including the international partners in the Health Reforms), at all relevant levels in the public health sector in Ghana is an ongoing process. The innovative approach, as described above, could well be used as an example in other countries for implementing Health Reforms.

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NOTES

1. For an overview, see www.worldbank.org.

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