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**KUMASI**

**COLLEGE OF ARCHITECTURE AND PLANNING**

**DEPARTMENT OF BUILDING TECHNOLOGY**

**IMPACT OF PROCUREMENT PLANNING WITHIN GHANA HEALTH  
SERVICE: A STUDY OF RIDGE HOSPITAL-ACCRA**

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**A THESIS SUBMITTED TO THE DEPARTMENT OF BUILDING  
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MANAGEMENT**

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## DECLARATION OF AUTHORSHIP

I hereby declare that this study is my own work and that, to the best of my knowledge and belief, it contains no materials previously published or written by another person nor material which to a substantial extent has been accepted for the award of any masters degree or diploma in Kwame Nkrumah University of Science and Technology (KNUST) or in any other institute of higher learning except where due acknowledgement has been made in the text.

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## **ABSTRACT**

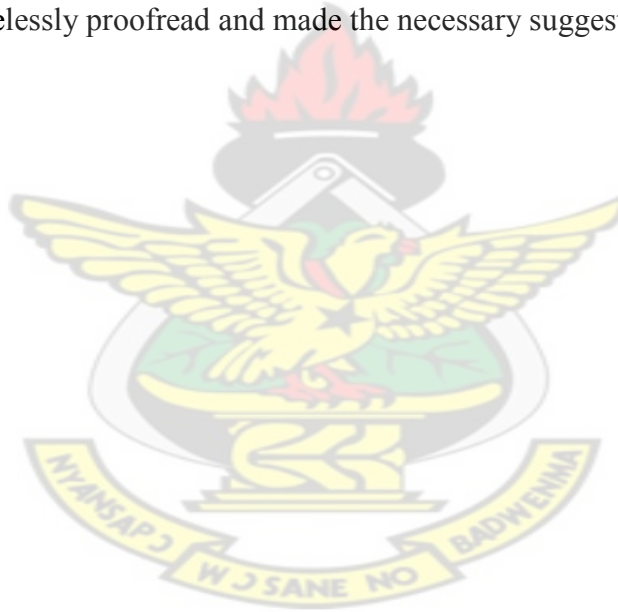
Procurement planning is very important because it provides the list of all requirements that an entity would procure over a period of time. From it, the procurement schedules are developed and the timelines for carrying out each step in the procurement process up to contract award and the fulfillment of the requirements are established. The plan allows for the consolidation of similar requirements under one contract or the division of a requirement into several contract packages for economies of scale. From the requirements on the procurement plan, the procuring entity can forecast any need for additional inputs. Procurement plan allows for the monitoring of the procurement process to determine how actual performance compares with planned activities, and thus alert the relevant departments to adjust their procurement plan accordingly for effective project implementation. The plan enhances transparency and predictability of the procurement process. This becomes even more important when it comes to the management of public funds and resources towards provision of inputs for healthcare delivery as well as meeting the Public Procurement Authority (PPA) and external donor's requirements. The objective of this study was to find out the impact of Procurement Planning on Ridge Hospital, Accra. A sample size of thirty (30) from the sample frame of procurement practitioners was chosen for the study. The sample size was 30 due to the limited time available for the completion and submission of this work. The respondents were made up of Procurement Officers, Estate Managers, Finance Officers, Pharmacists and Health Services Administrators for whom questionnaires as research instruments were provided for data collection and analysis. The work looked at the challenges and benefits in procurement planning and management in the public procurement process, which

included relevant theories on procurement types and procurement management as well as issue on value for money for public procurement. This research revealed that procurement planning exerts positive effect on public procurement and that proper planning enables the procuring entities to abide by the various time frames in the procurement process and prevent rush of procurement activities towards the end of the budget year. Also it has been found that funding for procurement is likely to be sufficient to meet all requirements when proper planning is done as well as allow the private sector to respond more effectively to requirements and specifications. However it has also been found that there are challenges and benefits in procurement planning and that an effective planning of public procurement creates value for stakeholders while improving performance.



## **ACKNOWLEDGEMENT**

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## **DEDICATION**

I hereby dedicate this research to my dear wife Mrs Joyce Asakeya and my lovely children, Joshua, Agnes and Freda for their support and encouragement.

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## ABBREVIATIONS

PPA.....	Public Procurement Authority
PMI.....	Project Management Institute (PMI)
PMBOK.....	Project Management Body of Knowledge
GHS.....	Ghana Health Service
MOH.....	Ministry of Health
CPP.....	Consolidated Procurement Planning
IPP.....	Individual Procurement Planning
SCM.....	Supply Chain Management
MTHS.....	Medium Term Health Sector Strategy
DHMT.....	District Health Management Team
RHA/RHD.....	The Regional Health Administration or Directorate
PUFMARP.....	Public Financial Management Reform Programme
MCH.....	Maternal and Child Health
RFP.....	Request for Proposal

## **CHAPTER ONE**

### **BACKGROUND OF THE STUDY**

#### **1.1 Introduction**

The Public Procurement Act, 2003 (Act 663) of the Republic of Ghana provides for public procurement, establishes the Public Procurement Board; makes administrative and institutional arrangements for procurement; stipulates tendering procedures and provides for purposes connected with these. Section 14 of the Public Procurement Act, 2003 (Act 663) establishes the scope of application of the Act and it applies to the procurement of goods, works and services, financed in whole or in part from public funds except where the Minister decides that it is in the national interest to use a different procedure.

Under Section 21 of the Public Procurement Act, 2003 (Act 663) makes it mandatory for procurement entities to prepare a procurement plan for their procurement programmes. A procurement plan may also involve identifying which project needs can be best met by using products or services outside the organization. It includes deciding whether to procure, how to procure, what to procure and when to procure. It is essential to be thorough and creative when planning procurement. Procurement planning is therefore the focus of all procurement activities in the organization. Thus, a mistake in procurement planning may culminate into diverse implications in the organization that may deter its progress. Without a procurement plan, there will be no orderly procurement of goods, services and works. A procurement plan helps procuring entities to achieve maximum value for expenditures and enables the entities to identify and address all relevant issues pertaining to a particular procurement before they publicize their procurement notices to

potential suppliers of goods, works and services. A procurement plan involves the identification and assessment of the need for the procurement, the methods to be used in the procurement process, how much to procure, where to procure from and when to undertake the procurement. It should be emphasized that at the centre of any procurement plan is the budget. Thus, procuring entities must always ensure that they have adequate funds to finance their planned procurements. Before any procurement transaction is conducted, Procuring Entities must determine their procurement needs, which must be consistent with their organization's objectives. In this regard, the Procuring Entity should assess whether or not a particular procurement is necessary. The assessment should take account of: the need to ensure that the Procuring Entity uses its resources effectively and efficiently; how the proposed expenditure would contribute to the entity's desired outputs; and the Procuring Entity's overall procurement philosophy in accordance with the provisions of the Public Procurement Act.

Van Wheels (2005) defines procurement planning as the process of determining the procurement needs and the timing of their acquisition and funding such that the entire operations are met as required in an efficient way. According to Agaba & Shipman, (2007), procurement planning is the process used by companies or public institutions to plan purchasing activity for a specific period of time. Economic Commission of African (2003) defines procurement planning as the purchasing function through which an organization obtain products and services from external suppliers.

The Ghana Health Service (GHS) is a Public Service body established under Act 525 of 1996 as required by the 1992 Constitution. It is an autonomous Executive Agency responsible for implementation of national policies under the control of the Minister for Health through its governing Council. Ghana Health Service does not include Teaching, Private and Mission Hospitals.

The establishment of the Ghana Health Service is an essential part of the key strategies identified in the Health Sector Reform process, as outlined in the Medium Term Health Strategy (MTHS), which are necessary steps in establishing a more equitable, efficient, accessible and responsive health care system. As a result of decentralization and health sector reform, services are integrated as one goes down the hierarchy of health structure from the national to the sub-district. At the regional level, curative services are delivered at the regional hospitals and public health services by the District Health Management Team (DHMT) as well as the Public Health division of the regional hospital. The Regional Health Administration or Directorate (RHA/RHD) provides supervision and management support to the districts and sub-districts within each region. At the district level, curative services are provided by district hospitals. Public health services are provided by the DHMT and the Public Health unit of the district hospitals. The District Health Administration (DHA) provides supervision and management support to their sub-districts. At the sub-district level both preventive and curative services are provided by the health centers as well as out-reach services to the communities within their catchment areas. Basic preventive and curative services for minor ailments are being addressed at the community and household level with the introduction of the Community-based Health Planning and Services (CHPS).



The establishment of Ghana Health Service was based on the objectives of implementing approved national policies for health delivery in the country, increasing access to good quality health services, and managing prudently resources available for the provision of the health services. The prudent management of resources would require proper procurement planning among others. A proper procurement planning would eliminate waste in supplies and therefore resources would be used prudently for the provision of healthcare to the people.

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## **1.2 Statement of the Problem**

Poor public procurement planning has affected and continued to have an impact on quality of healthcare delivery in Ridge Hospital, Accra and the region in general due to insufficient medical supplies and provision of quality procurement of works (GHS, 2011).

The Government of Ghana under the constitutional provisions is to ensure the realization of her long-term objective of improving the quality of life of its peoples thus in particular, the right to good healthcare, and right to quality education among others. The Ghana Health Service under Act 525 of 1996 was established as a Public Service body for the implementation of national policies with the object to implement approved national policies for healthcare delivery in the country, increase access to good quality health services and manage prudently resources available for the provision of health service. The provision of good quality health services would require the availability, timelines of supplies at their right quantities and quality. The provision of medical supplies would be

incomplete without adequate procurement planning. However, Ridge Hospital in the Greater Accra Region is always challenged in their procurement process especially in provision of inputs for their procurement planning, a phenomenon which has to be investigated for prompt solution in the provision of value for money for the state.

### **1.3 Research Questions**

- a) What is the impact of procurement planning?
- b) What are the various types of procurement planning?
- c) What are the challenges in procurement planning in Ridge Hospital?

### **1.4 Aim and Objectives of the Study**

To explore the impact of Procurement Planning in Ridge Hospital, Accra

#### **Specific Objectives:**

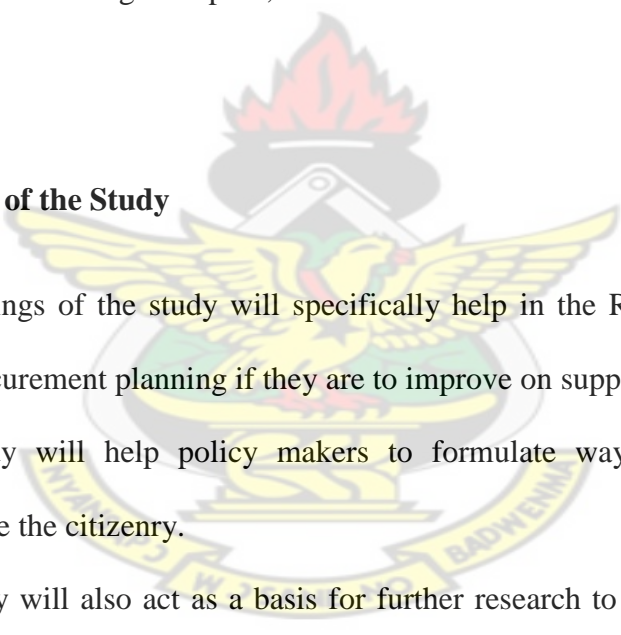
- a) To ascertain the effects of procurement planning
- b) To find out the various types of procurement planning
- c) To find out the challenges in procurement planning in Ridge Hospital

### **1.5 Scope of Study**

The scope of the study has been limited theoretically to challenge in the procurement planning, the relevance of procurement planning within the public sector, and the roles of internal stakeholders in the procurement planning for the provision of value for money as indicated by the Public Procurement Authority of Ghana, Act 663, 2003 among others have been explored contextually in this research.

Furthermore, the delimitation of the study has been public procurement sector in Ghana, with specific focus on Ridge Hospital, Accra.

### **1.6 Significance of the Study**

- 
- i. The findings of the study will specifically help in the Ridge Hospital to revisit their procurement planning if they are to improve on supplies.
  - ii. The study will help policy makers to formulate ways on how to improve healthcare the citizenry.
  - iii. The study will also act as a basis for further research to other researchers in the field of public service delivery and procurement in Ghana.

### **1.7 Justification of the Study**

The irregularities relating to Stores and Procurement in recent the 2011 MDA's Auditor's report amounted to GH¢780,027.67 during the review period (MDA's Auditor's Report

2011). The irregularities related to purchases not taken on ledger charge, contract variations, payments for uncompleted works and fuel coupons not properly accounted for. Also the failure to adhere to the Public Procurement Act and store Regulations justify that Procurement Planning was done without a laid down rules and procedures. According to the report, poor Procurement Planning leads to the hasty adoption of Single Source Procurement without proper authorization from the authorized agencies was the principal result of huge financial loss of GH¢13,306,102.80 for the health sector alone in 2011. It is in the light of this that the researcher intends to examine the impact of procurement planning in Ridge Hospital, Accra. Ridge Hospital has been chosen due to limited timeframe for the completion and submission of the study.

## **1.8 Research Methodology**

The research methodology employed in carrying out the research comprised; the research design, population of study, sample size and technique, sources of data and procedure for data collection and analysis among others.

### **1.8.1 Research Design**

The field survey approach has been adopted for data collection. This was due to the fact that the study was based on the uses of questionnaire to elicit information from the respondent's opinion in order to generate data for the analysis of the research.

The population for the study was the management staff of the Ridge Hospital, numbering seventy (70) but due to the time frame for the submission of this work, a sample size of thirty (30) was used for the study. The sample size was limited to thirty due to the composition of the personnel responsible for procurement activities for the hospital.

Furthermore, Purposive Sampling Technique has been used in collecting data. All respondents were selected based on their experience and their involvement in procurement activities and belief that they will meet the requirements of the study. The advantages about this technique are that it requires little time and skills of sampling the views of respondents. This was due to limited time available to complete this thesis.

In addition to the above, the research instrument used for the study was questionnaires forming part of primary sources of data while textbooks, Internet materials have been used as secondary sources. The research instruments were self-administered in structured format using **close and open-ended questions**. Finally, the data were analyzed using Microsoft Excel to perform t-test on the data presented. Frequency distribution tables, and bar graphs to present the data.

### **1.8.2 Research Outline**

The research is made up of five major chapters; chapter one consisting of the background of the study, statement of the problem, the objectives of the study, hypothesis/research questions, scope and delimitations of study and the significance of study.

Chapter two was devoted to literature review with a look at conceptual to theoretical aspect of procurement planning in public project management. Furthermore, the research methodology was tackled in chapter three, in which the data collection and presentation procedures have been examined. Chapter four was made up of analysis of the various data gathered based on the responses from the respondents. The data captured from the respondents were analyzed using Microsoft Excel applications on table and bar chart format for simple analysis and interpretations. Finally, summary of major findings, recommendations and conclusions formed chapter five.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter deals with literature review that discusses the work of other authors on the topic under study. The chapter has been structured as follows: Definitions and overviews of Procurement, Public Procurement and Ghana Health Service, Annual Procurement Plan Implementation, Involvement of user Departments and units in Selection of Inputs for Procurement Planning, Challenges in Public Procurement, Theoretical Framework on Preparing Procurement Plans, Types and Significance of Procurement Plans.

#### **2.2 Definitions and Overviews of Procurement.**

Procurement may be defined as the acquisition of goods, works and services according to Baily P. et al., (2008). This embraces not only purchasing, that is, buying of goods, but it also includes hiring of contracts or consultants to carry out services. Standards required in procurement are high quality service, economy and efficiency and fairness in competition. Thus a procedure must be followed and is applicable to all contracts for goods and works.

The Oxford Advanced Learner's Dictionary (2001) defines procurement as the process of obtaining supplies of something, especially for a government or an organization. Procurement can also be defined as the acquisition of goods, buying or purchase of

works, hiring contractors and consultancy services (International Bank for Reconstruction and Development Guidelines for Procurement, 2004). Also, Procurement, according to (Mangan, et al., 2008) it is a process of identifying and obtaining goods and services. It includes sourcing, purchasing and covers all activities from identifying potential suppliers through to delivery from supplier to the users or beneficiary. It is favorable that the goods/services are appropriate and that they are procured at the best possible cost to meet the needs of the purchaser in terms of quality and quantity, time, and location. Chartered Institute of Purchasing and Supply Australia (2005) defines procurement as a business management function that ensures identification, sourcing, access and management of the external resources that an organization needs or may need to fulfill its strategic objectives.

Public procurement concerns the acquisition of products, works and/or services of significantly improved existing services and products or a new application of organizational innovation for the provision of existing products and services. Innovation can be developed by the individual contractor, or a consortium of suppliers, to further developed partnership with the buyer in the supply chain (co- production) (Hommen et al., 2009). The World Bank, (1995) refers to Public Procurement as the acquisition of goods, services and works by a procuring entity using public funds.

Procurement as management process involved various stages, which required thorough planning for the provision or acquisition of goods, works and services. The definitions become significant especially when it comes to the procurement of healthcare delivery services as one of the vital organs for the state.



In Ghana for instance, there has been an increase in finance by the World Bank for procurement of health sector goods; pharmaceuticals, vaccines, contraceptives and nutritional supplements under various health, population and nutrition projects over the past few years, and this trend is expected to continue. Assistance under these projects supports the procurement of, for example contraceptives for family planning programmes, pharmaceuticals, vaccines and other health sector goods for AIDS, tuberculosis, leprosy, malaria and Maternal and Child Health (MCH) programmes. The bank programmed \$1.8 billion for the period 1997/98 for the health, nutrition and population sector of which financing for pharmaceuticals accounted for between \$220 million and \$250 million of this total. Apart from salaries, pharmaceuticals represent the largest category of recurrent health expenditure in most government budgets. The total value of pharmaceuticals changing hands in the developing world is estimated at \$44 billion (Woodle, 2000). This called for proper procurement planning to provide right inputs at right time, and with right amount.

Procurement planning is the process of determining the procurement needs and the timing of their acquisition and funding such that the entire operations are met as required in an efficient way according to Baily P. et al., (2008).

Also, according to the Pan American Health Organization of the World Health Organization (2006), procurement planning is a dynamic process that requires input from many different categories of professionals. It is therefore recommended that procurement planning be carried out by a multidisciplinary team established specifically for the purpose, with the participation of different technical and administrative professionals who have experience in procurement and supply chain management for the provision of

strategic national public health programs. The procurement planning team may draw on expertise from specific advisors when necessary.

Furthermore, according to Agaba & Shipman, (2007), procurement planning is the process used by companies or public institutions to plan purchasing activity for a specific period of time. This is commonly completed during the budgeting process. Procurement planning therefore means identifying what needs to be procured, how project needs can best be met, the scope of the goods, works or services required, what procurement strategies or methods to be deployed, setting the time frames, and the responsibilities for the full procurement process.

### **2.3 Public Procurement and Ghana Health Service**

Public procurement in Ghana has been characterized by unclear legal framework, lack of harmonized procedures and weak institutions for managing the procurement process. Responding to the challenge, the government, after a major review of the public expenditure system in 1993, designed a comprehensive Public Financial Management Reform Programme (PUFMARP) in 1995. The major component of PUFMARP was the Public Procurement Reform Programme. Under the health reforms in Ghana, the Ministry of Health and its partners (donors, financing institutions and the private sectors) recognized the importance of procurement in its Medium-Term Health Sector Strategy for Ghana 1997 to 2001. The overall strategy in the health sector for addressing the problem 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 and provision of essential health care inputs.

In December 2003, Parliament enacted the Public Procurement Act, 2003 (Act 663). The Public Procurement Act, 2003 (Act 663) enacted by the parliament of the Republic of Ghana seeks to provide for public procurement, establish the public procurement Board, make administrative and institutional arrangements for procurement, stipulate tendering procedures and provide for purposes connected with these.

The main objective of the Act is to harmonize the processes of public procurement in the public service to secure a judicious, economic and efficient use of state resources in public procurement and ensure that public procurement is carried out in a fair, transparent and non-discriminatory manner (PPA, 2003 Act 663).

However, in spite of Public Procurement Act, 2003 (Act 663), continuous findings from Public Account of Ghana audit report since its inception to date and especially on recent 2011 MDA's report, continues to disclose poor cash management practices, non-availability of adequate records on revenue collected, inadequate controls over the administration of procurement and contracts, corruption and interference among others (MDA's report 2011). According to the report, the overall financial impact of the weaknesses and irregularities identified amounted to GH¢118,820,175.66, US\$246,744.24 and GBP136,084.22. It is worthy to note that, procurement and contract irregularities alone recorded about (21.53%). Notwithstanding, Ministry of Health irregularities amounted to GH¢12,089,459.63 (MDA's report 2011). In reference to pages 6 & 8, from the report, Stores and procurement irregularities amounted to GH¢780,027.67 during the year under review. The irregularities related to purchases not

taken on ledger charge, contract variations, payments for uncompleted works and fuel coupons not properly accounted for, failure to adhere to the Public Procurement Act, and Store Regulations brought about this situation. Poor supervision of subordinate officers and non-application of sanctions was another contributory factor. Also, the report indicated, irregularities in contract administration is significantly higher as a result of contract management lapses that occurred particularly at the Ministries of Health, Defence, Roads and Transport, Education and Employment and Social Welfare. The Auditor General has noted all of this is as a result of poor procurement planning preventing an effective and efficient delivery of value for money for Ghana.

Despite the above, Ministry of Health as part of issues outlined in the five year Medium Term Health Sector Strategy (MTHS) from 1997 to 2001 for Ghana, identified procurement as one of the key areas for capacity building. In view of this, in 1999, the ministry produced a first 4 edition of procurement procedure manual to guide it, its agencies and other public health institutions in procurement matters. This manual went a long way to improve procurement practices in the health sector where donor funding was prominent. The procurement procedures laid down in the document took into consideration:

- World Bank's Staff Appraisal Report for the Health Sector Support Programme (1997, 3)
- Memorandum of Understanding of the review of the first year of Medium Term Health Sector Strategy (M T H S) (April 1998, 2), outlining the common procurement procedures to be followed under the Health Account.
- Finance Handbook for Regions and Districts, Ministry of Health, March 1996 (5),

and

- Rules and Instructions for Accounting, Treasury and Financial Reporting, Ministry of Health, January 1998 (6).

This document was intended to provide procurement guidance to Ministry of Health (MOH), its departments and health facilities and all other organizations and individuals who carried the responsibility of the day to day implementation of procurement activities and procurement projects in the Public Health Sector ( Ministry of Health Procurement Procedure Manual, September, 1999). The practices detailed here recognized the three main areas that can be distinguished in procurement, i.e. the procurement of consumable goods, civil works and services. Many of the guiding principles are used across a wide spectrum of publicly funded procurement.

#### **2.4 Annual Procurement Plan Implementation**

According to the Public Procurement Act, 2003 (Act 663) Section 21, a procurement entity shall prepare a procurement plan to support its approved programme and the plan shall indicate:

- a) Contract packages
- b) Estimated cost of each package
- c) The procurement method
- d) Processing steps and times

A procurement entity shall submit to its Tender committee not later than one month to the end of the financial year the procurement plan for the following year for approval. After budget approval, and at quarterly intervals after that, each procurement entity shall submit an update of the procurement plan to the tender committee. The procurement entity shall send to the Tender Review Board, procurement notices for contracts and procurement plans above the thresholds stipulated in schedule 3 for publication in the Public Procurement Bulletin. A procurement entity shall not divide a procurement order into parts or lower the value of procurement in order to avoid the application of the procedures for public procurement in the Act (Public Procurement Act, 2003 (Act 663)).

As part of preparation of World Bank financed project, the borrower shall prepare and, before loan negotiations, furnish to the Bank for its approval, a procurement plan acceptable for the Bank setting forth:

- a) The particular contracts for the goods, works and or services required to carry out the project during the initial period at least eighteen months;
- b) The proposed methods for procurement of such contracts that are permitted under the loan agreement and
- c) The related Bank review procedures. The borrower shall update the procurement plan annually or as needed throughout the duration of the project. The borrower shall implement the procurement plan in the manner approved by the Bank (Procurement Guidelines under the International Bank for Reconstruction and Development, 2004).



## **2.5 Involvement of Stakeholders in the Procurement Planning**

User units, departments and units within Ghana Health Services are positioned as major stakeholders in the provision of inputs for the preparation of the annual procurement plans. Within the Ridge Hospital, these departmental or units heads are in the better position to describe and give specifications of the right types of inputs and logistics required for the preparation of the procurement plan. It is therefore necessary for the management to seek their inputs into the preparation of the procurement plan. The Public Procurement Act 663, 2003 promulgates such procurement decisions that an entity shall be taken in a corporate manner and any internal unit's concerned shall contribute to the decision making process (Public Procurement Act, 2003 (Act 663), Section 15(3)).

Furthermore, the current system of decentralization concept has become cornerstones of which Medium Term Health Strategy (MTHS) policy, automatically promotes the “pull system”. What this means is that decisions in purchases are taken on the levels where the goods will be used (Ministry of Health Procurement Procedure Manual, 1999).

User units, departments within Ghana Health Service become the stakeholders involved in the planning of procurement. These stakeholders are groups or individuals who are directly involved in the project and/or are affected by it (Bourne, 2005). They might also include top management, operational staff, suppliers, business partners and patients as end-users. Their inputs in the procurement planning are vital in delivery of better health care.

It should be ensured that key stakeholders, as individuals or groups with significant influence over the project, are identified and involved. Strategies should be developed for

dealing with all of the diversity and influence of the stakeholders (Bourne, 2005).

Protection of all relevant stakeholders' interests through third party rights provision may be considered with a legal adviser. Some stakeholders (in particular financiers) might require collateral warranties rather than third party right protection. Their proper engagements prior to and within the planning process are crucial for successful delivery of effective and efficient procurement project plans be it an annual or quarterly procurement plans (Bourne, 2005).

## **2.6 Challenges in Procurement Planning**

Irregularities related to purchases not taken on ledger charges, contract variations, cost overruns, payments for uncompleted works and fuel coupons not properly accounted for and failure to adhere to Public Procurement Act have been identified by the World Bank and Public Procurement Authority in Ghana as some of the challenges contributing to an efficient and effective annual procurement plan preparation and public procurement in general (World Bank, 2005). Public Procurement is an important function of government and according to Shaw, (2010), there are numbers of challenges faced by such vital concept of managing public purse and governance for that matter if value for the state are to be realized.

Firstly, the sheer magnitude of procurement outlays has a great impact on the economy and needs to be well managed. Indeed, in all countries in the world, estimates of the financial activities of government procurement managers are believed to be in the order



of 10-30 % of GNP (Caldwell et al, 2009). Efficiently handling this size of procurement outlays has been a policy and management concern as well as a challenge for public procurement practitioners.

Secondly, public procurement has been utilized as an important tool for achieving economic, social and other objectives (Arrowsmith and Trbus, 2008; Shaw, 2010). There is therefore, a need to comply with a myriad of legislations and guidelines and this presents a challenge. For instance, in its report to the United States Congress, the Commission on Government Procurement states that “The magnitude of the Government’s outlays for procurement and grants creates opportunities for implementing selected national policies” (Federal Acquisition Institute, 1999: 1.8). Also, The World Bank specifies the following four major concerns or objectives of public procurement for projects funded by its loans;

- Ensuring that the loan is used to buy only those goods and services needed for the project,
- Ensuring fair competition for all qualified bidders from the World Bank’s eligible countries,
- Promoting transparency or integrity, and
- Encouraging development of indigenous contractors and manufacturers by allowing local buyers to build in a margin of preference for local contractors and manufacturers (Maurer, 2004).

Another challenge is that, due to many reasons (including greater scrutiny of taxpayers and competing vendors), public procurement has been perceived as an area of waste and

corruption (Shaw, 2010). For example, in The District of Columbia, USA government wasted hundreds of thousands of dollars in revenue by selling used emergency vehicles for; bargain basement prices in auctions run by untrained staffers (Nakamura, 2004). In a period of 30 months, the District of Columbia sold 11 fire trucks for a total of \$3,125 while similar vehicles in make and model had been sold on the Internet for a total of \$360,875. Corruptions and bribes are widespread in government contracts. In the United States, corruptions in government contracts have been regularly reported in newspapers; and the first week of September 2004 witnessed the reporting of a flurry of criminal prosecutions against state officials for violations of state procurement laws. Separate newspapers reported on bidding scandals from Illinois, Connecticut, Wisconsin, and Maryland (Nakamura, 2004). Therefore, overcoming the negative perception and the objective reality, to a certain extent, is one of the biggest challenges in public procurement.

Moreover, Shaw (2010) argues that, as many countries have moved to a regional and or global economy, public procurement practitioners face another challenge that is, how to comply with their government's procurement regulations and social and economic procurement goals without violating regional and/or international trade agreements. For example, how to comply with national economic policies (in nurturing domestic firms), without dealing unfairly with foreign firms as provided in regional trade agreements and/or the World Trade Organization (WTO) agreements is not easy, which requires a careful study of trade agreements in order to take advantage of special provisions. The WTO Agreement on Government Procurement (GPA) Article XVI provides that; "Entities shall not, in the qualification and selection of suppliers, products or services, or

in the evaluation of tenders and award of contracts, impose, seek or consider offsets.” Without careful examination of GPA provisions, procurement practitioners in developing countries may not use an exception. However, GPA Article XVI.2 “expressly allows for the use of offsets by developing countries” (Arrowsmith and Trybus, 2008: 165).

Furthermore, in developed as well as developing countries, disregarding their economic, social, and political environment, a sound procurement system has to accomplish two sets of requirements: management requirements and policy requirements. The procurement management requirements normally include quality, timeliness, cost (more than just the price), minimizing business, financial and technical risks, maximizing competition, and maintaining integrity. The procurement policy requirements normally include economic goals (preferring domestic or local firms), environment protection or green procurement (promoting the use of recycled goods), social goals (assisting minority and woman-owned business concerns), and international trade agreements. It is very difficult for policy makers and public procurement practitioners to make an optimal decision, as there are always tradeoffs among these goals (Thai et al, 2005).

Other forms of challenges in procurement planning in the public sector according to Intaher (2012) includes:

a) Inaccurate Demand Management

Demand management is integral to the Supply Chain Management (SCM) process. It defines the decision-making process that allows departments to procure at the right time, at the right place and at the right cost. Cost-effective procurement depends on a specialist’s skills to ensure that buying requirements are reliably determined, appropriate

contract strategies are developed, contracts are well managed and opportunities are seized to secure the best deals at the right time and at the right price. Some government entities cannot properly quantify the needs of those requiring their services or properly estimate costs, nor can they accurately track, control or report on expenditure. It is therefore vital that Supply Chain Management (SCM) practitioners adequately link demand planning to budget.

b) Lack of proper Knowledge, Skills and Capacity

According to Sheoraj (2007) as cited by Intaher (2012), skills and capacity shortages have been identified as the single greatest impediment to the success of public procurement in South Africa. Adequate capacity in the form of appropriate structures with fully skilled and professional Supply Chain Management (SCM) personnel is a key success factor for proper Supply Chain Management (SCM) implementation. In some government entities, the quality of Supply Chain Management (SCM) personnel's skills and ability are well below standard. Lack of capacity and knowledge by Supply Chain Management (SCM) actors in the procurement processes have led to bad governance Intaher (2012).

c) Non-compliance with Policies and Regulations

Supply Chain Management (SCM) is guided by a number of related policies and regulations (National Treasury, 2005) as cited by Intaher (2012). Compliance with these policies and regulations is a problem. As indicated by Matthee (2006) as cited by Intaher (2012), some of the practices relating to non-compliance with the rules and procedures relate to the tendency not to utilize a competitive process for both quotations and bids,

and incorrect utilization of the preference points system. Van Zyl (2006) also asserts that there is a lack of appropriate bid committees; use of unqualified suppliers, passing over of bids for incorrect reasons; utilization of the incorrect procurement process in respect of the thresholds; extensions of validity periods; and incorrect utilization of the limited bidding process. Furthermore, Ambe and Badenhorst-Weiss (2011b) noted that there are inadequate controls and procedures for the handling of bids; appointment of bid committee members not aligned to policy requirements; and insufficient motivation for deviations from Supply Chain Management procedures.

#### d) Political Interference

Political interference with the procurement process is also a big challenge to the implementation process and public procurement reforms. A good number of politicians think that they have the right to intervene in the procurement procedures thereby leading to a capricious procurement decisions (World Bank, 2004b).

Finally, facing the challenges above and others, including rapid developments in technology (which have led to new procurement methods), public procurement cannot be surplus, and the irrational use of limited resources are to be discarded for the provision of value for money.

## **2.7 Relationship between Procurement Planning and Service Delivery**

Johan (2006) as cited by Wogube (2011) further came up with some important service delivery improvement slogans. He said he who fails to plan for service delivery, plans to

fail delivering services to the public. And if it cannot be measured, it cannot be improved. If we only plan to comply with regulations, we are not managers, but we are robots. What we plan we must implement. What we implement, we must monitor. We should not be afraid to ask the customer (citizens). They really do know best what they need and what they get. It is not always the same thing.

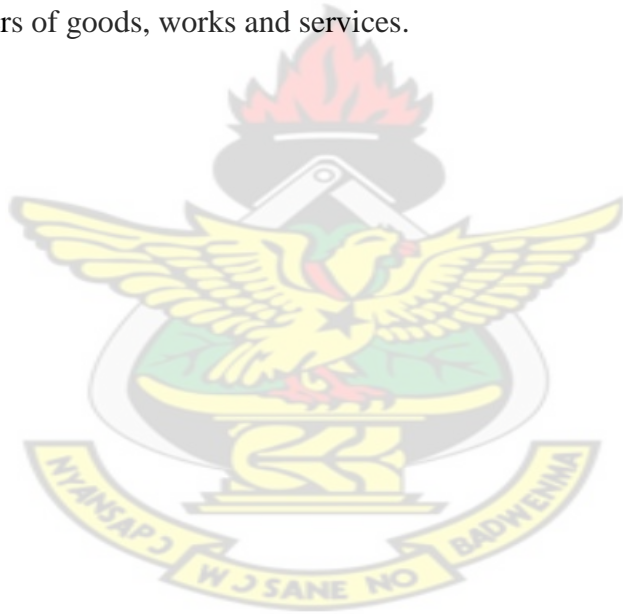
Basheka (2004) argues that procurement planning is one of the primary functions of procurement with a potential to contribute to the success of local government operations and improved service delivery. It is a function that sets in motion the entire acquisition/procurement process of acquiring services in local governments.

Mullins (2003) asserts that the contribution of procurement planning in facilitating an efficient and effective service delivery in public sector organizations is generally undisputed in both developed and developing countries. Its contribution can be at both central and local government levels of public sector management. His findings revealed a significant positive relationship between procurement planning and service delivery in local government procurement systems in Uganda. These results are compared to international research findings, and suggestions are offered for management, policy making, and future research.

According to the Public Procurement Policy Manual (2009), procurement planning drives different expected results which are different from business as usual such as: reduction in the number of overall contract awards, understanding and managing total cost of ownership, more purchasing options (lease vs. buy), data-driven decision making, improved risk mitigation prior to award, more identification of opportunities where

suppliers can add value, improved relationships with suppliers which leads to improved service delivery

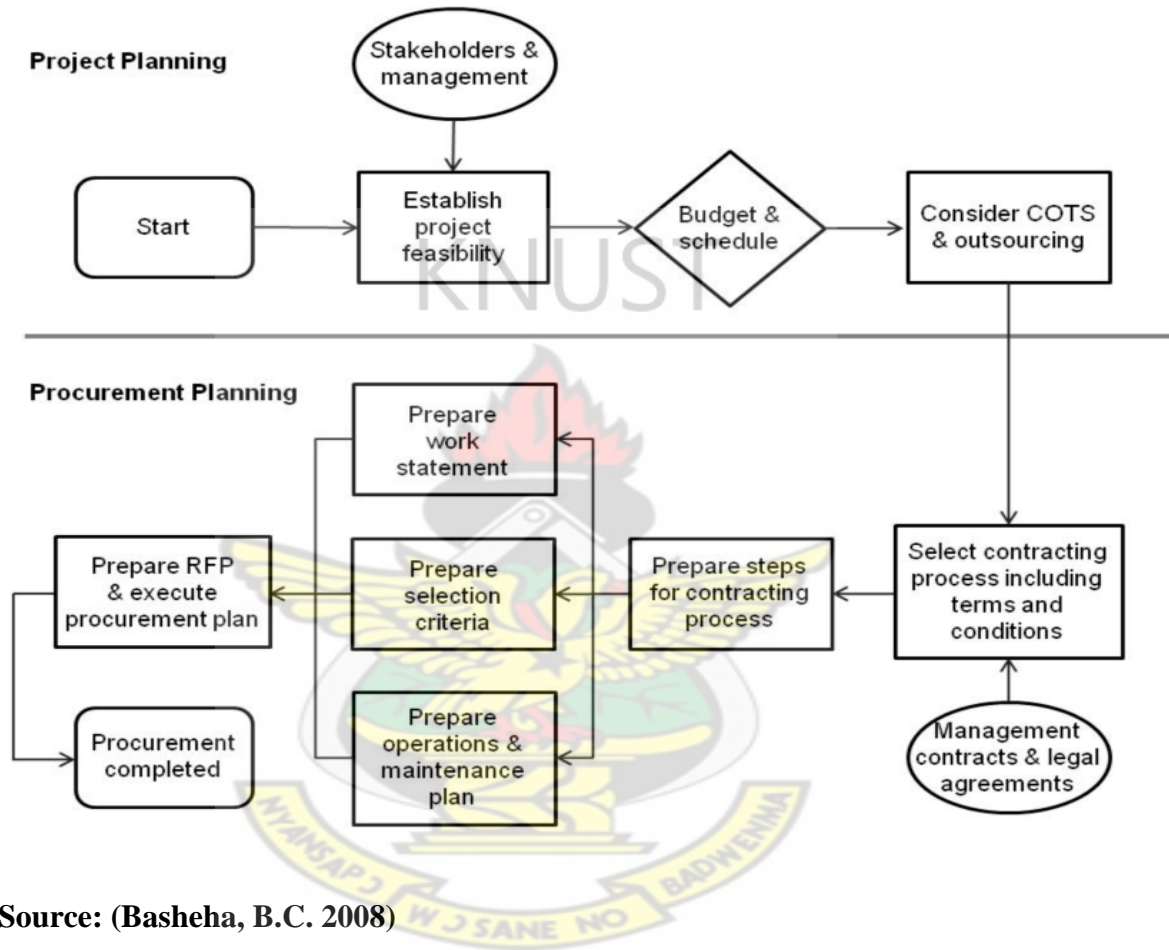
Mawhood (1983) further adds that effective procurement planning is an important route towards securing the right service to be delivered to the public, and also maximizing the level of service provision, which can be achieved within the local Supporting People. A procurement plan helps Procuring Entities to achieve maximum value for expenditures on services to be delivered and enables the entities to identify and address all relevant issues pertaining to a particular procurement before they publicize their procurement notices to potential suppliers of goods, works and services.





## 2.8 Theoretical Framework

The conceptual framework for the study was Public Procurement Process from which the Procurement Plan forms the theoretical framework for the study.



Source: (Basheha, B.C. 2008)

**Figure 2.1 Procurement Planning Process**

Figure 2.1 outlines a typical theoretical, description of how the procurement plan are initiated and prepared starting from the collating of inputs from various stakeholders by establishing project feasibility in which annual budget and schedule as well as consideration are given to make or buy decisions and outsourcing issues are considered. The procurement plan starts from selecting contracting process including terms and



conditions by putting in place the management contracts and legal agreements documents before which steps are taken for contracting process. Further preparations are done when the entity prepares statement of work which is followed by preparation of selecting criteria before which operation and maintenance plans are done to prepare for request for proposal and execution of procurement plan for the completion of procurement for the Entity. Monitoring and control for the annual procurement plan goes alongside with feedback throughout the preparation of this vital document for the Entity.

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### **2.8.1 Preparing Procurement Plans**

Section 21 of the Public Procurement Act, 2013 (Act 663) requires Procurement Entities to prepare a procurement plan for each fiscal year, and prepare quarterly updates for approval by the Tender Committee.

The Regulations require that the procurement planning process is fully integrated with applicable budget processes and circulars issued by the Public Procurement Authority and the budget preparation instructions of the Ministry of Finance and Economic Planning. Adequate procurement planning and prioritization of needs by each Procurement Entity is an essential prerequisite to effective purchasing Public Procurement Act, 2013 (Act 663). Structured development of procurement plans is an essential part of the annual budget preparation process and provides a ready checklist for the approval of procurements by Tender Committees and Tender Review Boards, and monitoring of procurement activity by the Public Procurement Authority.

Preparation of the Annual Procurement Plan should be commenced at least four months before the start of the Financial Year to allow sufficient time for a realistic and accurately costed plan to be compiled. Heads of departments, units, projects and programmes are required to ensure the analysis and preparation of Annual Procurement Plans for their own and subordinate areas of control.

Procurements for development partner-funded projects and programmes should also be included but identified in a separate section of the Procurement Plan. Each user department should prepare a multi-annual rolling work plan for procurement based on the approved budget, which is submitted to the procurement and disposal unit to facilitate orderly execution of annual procurement activities. A procurement plan is integrated into the annual and multi-annual sector expenditure programme to enhance financial predictability, accounting and control over procurement budgets. A procurement and disposal unit uses the combined work plan to plan, organize, forecast and schedule the procuring and disposing entity's procurement activities for the financial year, section 21 of the Public Procurement Act, 2003 (Act 663) and manual for public procurement.

The user/responsible unit plays the role of making the requisition for the required procurement, describing the nature of the requirements (quantity, specifications etc) and ensuring that the procured items meet the requirements of the tender. To this effect, its role in defining technical specifications participating in technical evaluation and inspecting the procured items before they are accepted is crucial (Public Procurement User Guide (2010) of Rwanda Public Procurement Authority (RPPA)).

### **2.8.2 Types of Procurement Planning**

Emeka (2010) has outlined two main types of procurement planning especially which are useful for public procurement projects. According to the author this involved:

- a) Consolidated Planning referred to procurement plans of different departments or units combined into one single plan (Emeka 2010). Based on a decentralized structure, a consolidated plan can be developed at different levels e.g. Ministry, Agency etc. Analysis of the consolidated Procurement Plan provides an opportunity to identify economies of scale and better uses of resources, providing an overview of the scale of the procurement activities.
- b) Individual Planning referred to Procurement planning takes place at department or project level (Emeka 2010). These levels provide inputs to overall process of planning for the procurement in the organization.

Furthermore according to (Wogube, 2011) other forms of procurement planning includes:

#### **Aggregation/Packaging of Requirement for Procurement by Entities**

The aggregation of requirements takes into account, the market structure for the items required, items which are of a similar nature and which are likely to attract the same potential bidders, the optimum size and type of contract to attract the greatest and most responsive competition or the best prices, items which are subject to the same method of procurement and bidding conditions, items which shall be ready for bidding at the same time, items which shall be subject to the same conditions of contract, potential savings in time or transaction costs, the appropriate size of contract to facilitate the application of

any preference and reservation schemes, and the optimum number and size of contracts to facilitate management and administration of contracts by the procuring and disposing entity, Section 21 of the Public Procurement Act, 2003 (Act 663) and manual for public procurement.

### **Estimating the Value of the Works, Services or Supplies Required**

In estimating the value of the works, services or supplies required and confirming the availability of funds, a procuring entity shall ensure that the estimate is realistic and that the estimate is based on up-to-date information, technical advice is sought, where required, and the confirmation of availability of funding takes into account the total acquisition cost in accordance with schedule 3 of the Public Procurement Act, 2003 (Act 663).

### **Monitoring and Updating of Procurement plan**

During project execution the original procurement plan should be regularly monitored and updated. The essence is to see how actual performance compares with the planned activities and to make changes in the plan if necessary. If slippage occurs in the award or execution of one major contract, it may require rescheduling of other related contract awards and deliveries.

The purpose of monitoring is to complete the details of what has actually been executed, to note whether there are major discrepancies with what was anticipated, and make adjustments in the plans so as to give a complete picture of procurement performance.

A full revision and update of the Procurement Plan must be submitted to the Tender

Committee for review and approval on a Quarterly basis throughout each Financial Year (manual for public procurement, Act 663).

## **2.9 Significance of Procurement Planning**

The Public Procurement User Guide (2010) of Rwanda Public Procurement Authority (RPPA), has outlined a framework that aids the achievement of the objectives of the procuring entities. This framework has indicated that sufficient procurement planning enables the procuring entities to abide by the various time frames in the procurement process. According to their findings, lack of procurement planning is a major source of operational problems leading to a rush of procurement activities towards the end of the budget year driven by the desire of full budget utilization. Other reasons for undertaking procurement planning and prioritization of needs process are that:

- funding for procurement is unlikely to be sufficient to meet all requirements, and scarce financial resources must be channeled to ensure that the priorities of a Procuring Entity are adequately met before spending on less essential procurements (World Bank, 2004).
- effective planning allows requirements to be aggregated into bulk purchases at lower unit costs since such tenders would attract wholesalers and manufacturers.
- Publication of realistic annual procurement plans allows the private sector to respond more effectively to the requirements and specifications of the Procuring Entities, through investment in staff and equipment, manufacturing and importing of goods, and financial planning. Rwanda Public Procurement Authority (RPPA

2010)

A good procurement plan will go one step further by describing the process you will go through to appoint those suppliers contractually. Procurement Planning is to assist public service managers in formulating and executing a procurement strategy (Andrea, 2009).

The relevance of Procurement planning decides what to buy, when and from what source (Andrea, 2009). During the procurement planning process the procurement method is assigned and the expectations for fulfillment of procurement requirements determined. Procurement plans help in achieving maximum value on expenditure for the goods, services and works procured. The procurement plan acts as a guide that sets in motion the entire process of acquiring goods and services (Andrea, 2009).

Thus to ensure continuous availability of products within the system, the procurement planning team must develop, coordinate, implement and monitor the procurement process and should conduct a rapid situation analysis of the supply system in order to identify potential problems and/or bottle-necks that may adversely affect the availability of product at the institutional level.

Additionally, Andrea (2009), has also pointed out that a well-planned procurement process facilitates product storage and timely availability of supplies to users, thus ensuring continuity in the supply process.

Product forecasting is often considered to be the most critical element of the procurement and supply management process. It can also be the most challenging for a number of reasons: available information for product quantification is often inadequate;

procurement planners are not aware of the different quantification methods available, and how each method should be applied; a systematic approach to product forecasting is rarely implemented; and the quantification process is often executed by one person without consulting other professionals or persons experienced in the process (World Bank, 2004).

### **2.9.1 Conclusion**

Effective procurement planning and preparation will produce more efficient and economical procurements, which will deliver goods, works and services in an acceptable and timely manner (World Bank, 2005). 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 (Public Procurement Authority (PPA), Act 663, 2003).

Thus 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 of goods, works and services are listed and quantified in monetary terms during a particular year (financial year). This plan serves as a check (control) on frivolous, otherwise unplanned procurement activities and for that matter its accurate preparation with up-to-date inputs and with the engagement of necessary stakeholders are very important steps towards the achievement of value for money for the state (World Bank, 2005).

Section 21 of the Act 663 requires that procurement entities (Ridge Hospital in our case)



prepare a plan for their annual procurement for each fiscal year. 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 (PPA, Act 663, 2003).

Also, 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” hence proper and adequate planning are very necessary for value for money for the state (PPA, Act 663, 2003).

It has been seen from various authors that adequate procurement plan which may include: detailed breakdown of the goods, works and services required, schedule of the delivery, implementation or completion dates for all goods, works and services required.

Also, 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 as well as details of any committed or planned procurement expenditure under existing multi- year contracts (World Bank, 2005). By following such thorough well examine Planning process for procurement will eventually; eliminate the number of rush orders – lower purchase costs, improved service delivery and eliminate potential risks that may occur as result of poor planning within procurement cycle.



## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

The chapter includes the research methodology employed in carrying out the research, which comprised of the sample, research instrument design, data collection procedure and framework of data analysis.

#### **3.2 Sample**

Ridge Hospital Accra was selected for the study. This was due to the fact that the Ridge Hospital undertakes various kinds of procurement for healthcare delivery. The Hospital shared the common set of characteristics and objectives of Public Procurement Act, (Act 663, 2003) of providing value for money in the procurement of services, works and goods for the state.

The population for the study was the management staff of the Ridge Hospital, numbering seventy (70) but due to the time frame for the submission of this work, a sample size of thirty (30) was used for the study. The respondents' chosen were believed to be involved in procurement activities for the hospital. The researcher purposively selected Procurement Officers, Pharmacists, Health Services Administrators, Finance Officers and Estate Managers from the management staff and for which questionnaires were administered to for the study.

Purposive sampling, which represents a non-probability sampling technique, has been used. Also known as judgmental, selective or subjective sampling, purposive sampling relies on the judgment of the researcher when it comes to selecting the units (e.g., people, cases/organizations, events, pieces of data) that are to be studied. Usually, the sample being investigated is quite small, especially when compared with probability sampling techniques (Narsh, 2007). The main goal of purposive sampling is to focus on particular characteristics of a population that are of interest and provide expert opinion on the subject under study. It provides the researcher with the justification to make analytical generalizations from the sample that is being studied, which will best enable you to answer your research questions (Hair et al., 2006). The sample being studied is not representative of the population, but for researchers pursuing qualitative or mixed methods research designs, this is not considered to be a weakness. Rather, it is a choice, the purpose of which varies depending on the type of purposing sampling technique that is used. For example, in homogeneous sampling, units are selected based on their similar characteristics because such characteristics are of particular interest to the researcher (Narsh, 2007).

### **3.3 Instrumentation**

The study considered a descriptive survey approach since it involves collecting primary data in order to answer questions concerning the current status of the study. Descriptively, the design is directed towards determining the nature of a situation; determine the incidence and interrelations among economic and sociological and

psychological needs (Hair et al., 2006). It focuses on vital facts about the respondent's beliefs, opinions and attitudes and behavior, which provide an understanding of the phenomenon, (Narsh, 2007). Five-Point Likert-Type scales with anchors ranging from “strongly disagree” to “strongly agree” were used to measure the study variables.

A modified version of Dillman’s (2000) total design method was used to increase the response rate. A thirty survey (including a cover letter) were self-administered to the respondents. Of these surveys, thirty were returned for analysis and interpretation representing hundred percent.

### **3.4 Data Collection Procedures**

The researcher used data from primary and secondary sources. The primary data was collected from the respondents using questionnaires. Data from secondary sources were obtained from Corporate Annual Reports, textbooks and the Internet materials. The questionnaires were designed and self-administered. That is, respondents filled out the questionnaires in their privacy and without the presence of the researchers. Questionnaires were sets of questions and scale designed to generate enough raw data for accomplishing the information requirements between the actual sampled results and the estimated true population results (Hair et al., 2006) Both closed-ended and open-ended type of questions were administered in collecting the raw data. All the questions in the survey were pre-tested for content validity, following standard process (Dillman, 2000, Hult et al, 2007).

This is to obtain feedback from experienced project and procurement executives for clarity, accuracy, and readability of the survey items. Based on this feedback, the instrument was modified and some factors were dropped to reduce the length of the survey material.

### **3.5 Framework of Data Analysis**

This section elaborates on the techniques used in the data analysis to obtain the information required to answer the questions in the project. Ideally, the data has been analyzed based on the objectives of study on the topic: ***“The impact of procurement planning on the Ghana Health Service: A study of Ridge Hospital”***

The research questions below have been investigated for the study.

- a) What are the various types of procurement planning?
- b) What are some of the benefits of procurement planning?
- c) What are the challenges in procurement planning in Ridge Hospital?

The above have been analyzed using the following grid summary of analytical framework as shown below.

**Table 3.1 Grid summary of analytical framework**

Objectives	Questions	Hypothesis (if any)	Sources of Data	Type of Data	Technique Of Analysis
(A)	0-5	N/A	Questionnaires	Qualitative/Quantitative	Frequency distribution
(B)	6-15	N/A	Questionnaires	Qualitative/Quantitative	Frequency distribution
(C)	16-21	A	Questionnaires	Qualitative/Quantitative	One-T-Test

Source: Field Survey, 2013

## CHAPTER FOUR

### RESULTS AND DISCUSSION OF MAJOR FINDINGS

#### 4.1 Introduction

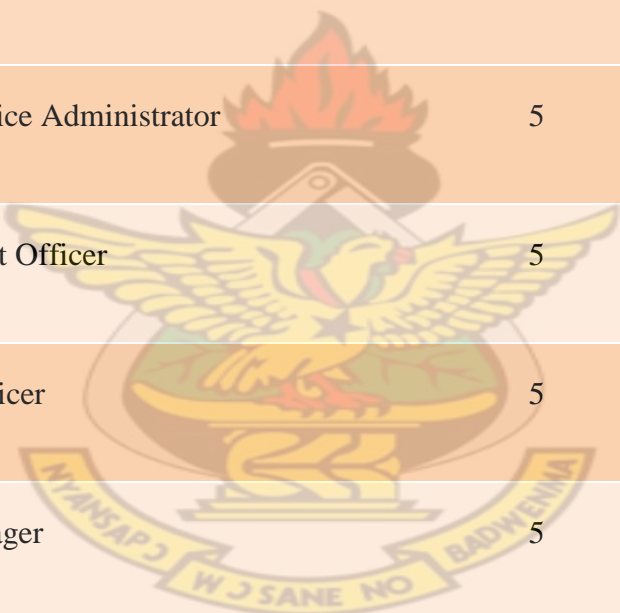
This chapter was devoted to the analysis of data, interpretation and discussion of major findings based on the topic under study. In all thirty, (30) respondents made up of Procurement Officers, Finance Officers, Pharmacists, Health Services Administrators and Estate Managers. The main “credibility characteristics” in this study were the respondents’ profession and experience, defined as encapsulating: professional background; number of years stayed within Ghana Health Service; and their involvement in the provision of procurement of healthcare inputs.

The mean for each attribute including the associated standard deviation and standard error are presented in Table 4.3 and 4.4 for *each* attribute, the null hypothesis was tested of either  $H_1: \mu > \mu_0$  or  $H_1: \mu < \mu_0$ , but not both was used. Thus:  $H_0: \mu_{30} \text{ respondents} \leq 1$ ,  $H_1: \mu_{30} \text{ respondents} > 1$  and Specify the  $\alpha$  level:  $\alpha = .05$ . Thus,  $U_0$  represented the critical rating above which the attribute is considered important. With higher rating scales (namely 1 and 5) being ascribed to critical and very critical attributes,  $U_0$  was fixed at an appropriate level of 1.5. The significance level was set at 95 percent in accordance with conventional levels, that is, based on the five-point Likert rating scale, an attribute was deemed critical if it had a mean of 5 (Norusis 2004). Given two or more criteria with the same mean, the one with the lowest standard deviation was assigned highest importance ranking (Field, 2005a, b). Because the standard error associated with all the means is

relatively close to zero, it is reasonably asserted that the sample is an accurate reflection of the population (Field, 2005b).

The findings have been summarized in order to make reading easier for users of this research work. The responses were grouped and analysed using the tables and frequency distribution.

**Table 4.1 Profession/Occupation**



Profession/Occupation	Frequency	Percent
Health Service Administrator	5	16.7
Procurement Officer	5	16.7
Finance Officer	5	16.7
Estate Manager	5	16.7
Pharmacist	10	33.2
<b>Total</b>	<b>30</b>	<b>100</b>

Source: Field Survey, 2013

From Table 4.1, 33.2% of the respondents were Pharmacists and the rest comprises of Health Services Administrators, Procurement Officers, Finance Officers, and Estate Managers. Apart from Pharmacists, each of the remaining groups constituted 16.7% of the respondents. The research has been skewed towards these officers who provide inputs in the procurement planning process as well as procurement in one form or the other in their respective units within the Ridge Hospital. This is quite appropriate since these people are directly engaged with procurement activities in relation to the subject under study. Also, the respondents' activities in the procurement process have the potential of decisions regarding make or buy in the preparation of the procurement planning and management at the Hospital. Section 21 of the Public Procurement Act, 2013 (Act 663) requires Procurement Entities to prepare a procurement plan for each fiscal year, and prepare quarterly updates for approval by the Tender Committee. The composition of these respondents (Pharmacists, Health Services Administrators, Pharmacists, Procurement Officers, Finance Officers, and Estate Managers) who are the members of the Tender Committee for the hospital and hence their representativeness are relevant for this research.



**Table 4.2 Highest Level of Education**

<b>Educational Level</b>	<b>Frequency</b>	<b>Percentage</b>
Higher National Diploma (HND)	2	6.6
Bachelor Degree	23	76.7
Postgraduate (MBA/MSc/MPhil/PhD)	5	16.7
<b>Total</b>	<b>30</b>	<b>100</b>

Source: Field Survey, 2013

From Table 4.2, almost all of the respondents were well qualified because they had the necessary academic qualifications for carrying out their procurement functions. This implies that they had the knowledge and skills required for procurement practices and they are relevant to the study and have the capability of understanding public procurement operations. Failure to consider the level of qualification and training of the practitioners has the consequential element of poor risk understanding and allocations as well as the inability to create value for money for the Hospital and to meet the objectives of the Public Procurement Authority (PPA) as indicated in Section 3 (J and K) of the Act 663, which talks about professional development of persons engaged in Public Procurement.

**Table 4.3 Number of Years Involvement of Procurement Activities**

Number of Years Working		Frequency	Percentage
	1 to 5 years	16	53.3
	6 to 10 years	9	30
	11 years and above	5	16.7
	<b>Total</b>	<b>30</b>	<b>100</b>

Source: Field Survey, 2013

From Table 4.3, 53.3% of the respondents have been working with Ridge Hospital and were involved in procurement activities for up to five years. 30% indicated six to ten years. The remaining 16.7% of the respondents at the hospital have been involved in procurement activities for the past eleven to fifteen years. The implications are that all the respondents are familiar with the activities of their work and have the requisite experience necessary for procurement within their units for the operations for the Hospital referred. Also the implications are that their inputs in terms of experience in the procurement planning and practices are vital towards successful compilation of the hospital annual procurement planning and management. In addition, the respondents indicated that in their procurement practices, the most common format they used in their

procurement activities were the PPA format in conjunction with the Ghana Health Service Institutional Format or combination of both.

**Table 4.4 Types of Procurement**

Types of Procurement	Frequency	Percentage
Technical Services (Service on ICT, Special Equipment)	3	10
Works (Constructional Works)	6	20
Goods (Drugs Consumables)	6	20
Goods (Non-Drugs Consumables)	15	50
<b>Total</b>	<b>30</b>	<b>100</b>

Source: Field Survey, 2013

From Table 4.4, 50% of what the hospital procured were non-drugs consumables, 10% were technical services such as services on ICT, and other special equipment. The remaining 40% were shared between Goods (drugs consumables) and Works (constructional works), which had 20% each. This implies that non-drugs consumables

and drugs consumables constituted most of the goods and services procured by the hospital.

**Table 4.5 Sources of Inputs for Procurement Planning**

Forms inputs	Frequency	Percent
From user departments and units	12	40
From annual estimated budget	7	23.3
From previous procurement plans) historical records	5	16.7
During project implementation	4	13.3
Request from stores	2	6.7
<b>Total</b>	<b>30</b>	<b>100</b>

Source: Field Survey, 2013

From Table 4.5, shows sources of inputs for Procurement Planning. 40% of the respondents indicated that they collate their inputs from various Units and Departments at the hospital for their procurement planning. Also, 23.3% of the inputs come from the annual estimated budget and 16.7% from historical records (from previous procurement

plans). The remaining 13.3% are collated during project implementation as part of monitoring and control for process improvement while 6.7% were collated from request from stores. The implications are that the units/departments and other forms within the hospital were considered for inputs prior to the implementation of procurement planning. Requirements from these sources are vital for proper procurement planning for the hospital.

Collating inputs from the various units and departments are in line with Public Procurement Act (PPA) objectives as procurement decisions of an entity shall be taken in a corporate manner and any internal unit's concerned shall contribute to the decision making process (Public Procurement Act, 2003 (Act 663), Section 15(3)).

**Table 4.6 Level of compliance with PPA on Procurement Planning.**

Responses		Frequency	Percentage
	Agree	10	33.3
	Disagree	12	40
	Strongly Disagree	2	6.7
	Uncertain	6	20
	<b>Total</b>	<b>30</b>	<b>100</b>

Source: Field Survey, 2013

On the level of compliance with Public Procurement Authority (PPA) on Procurement Planning, 40% of the respondents disagreed, 6.7% strongly disagreed, 20% were uncertain as to whether their annual procurement plans were often submitted for approval by their Tender Committee or appropriate Tender Review Board prior to procurement for the Hospital. The remaining 33.3% however agreed with the question that their annual procurement plan was often not submitted for approval by their Tender Committee or to the appropriate Tender Review Board. Section 15(4) and 21(3) of the Public Procurement Authority (PPA) Act 663 makes it mandatory for entities to submit their annual procurement plans to their Tender Committee or the Tender Review Board for approval. The consequential effects of such action not to comply with Public Procurement Authority (PPA) objectives of submitting their annual procurement plans contravenes the provision of the Public Procurement Act (PPA) Act 663.

**Table 4.7 Needs assessment prior to Procurement Planning**

Responses	Frequency	Percentage
Strongly Agree	3	10
Agree	2	6.7
Disagree	23	76.7
Strongly Disagree	2	6.7
Total	30	100

Source: Field Survey, 2013

From Table 4.7, respondents were asked whether needs assessment were often not done properly prior to procurement planning, 76.7% of the respondents disagreed. 6.7% strongly disagreed. This indicates that proper needs assessment was often done prior to the procurement activities for the hospital and such initiative provides accurate inputs for procurement planning. However, 6.7% of the respondents agreed that needs assessment was often not done prior to procurement planning and the remaining 10% of the respondents strongly agreed that needs assessment was not done prior to procurement planning. Assessment of input prior to Procurement Planning is critical due to the fact that funding for procurement is inadequate. Procurement practitioners ought to be proactive rather than reactive in their procurement management forecasting and needs assessment in order to eliminate risk and increase the probability of project success.

**Table 4.8 Accountability for uncompleted works prior to procurement planning**

	<b>Payments for uncompleted works are not properly accounted for?</b>	<b>Frequency</b>	<b>Percentage</b>
	Agree	5	16.7
	Strongly Disagree	11	36.7
	Disagree	14	46.7
	Total	30	100

Source: Field Survey, 2013

From Table 4.8, respondents were asked whether Payments for uncompleted works were properly accounted for prior to procurement planning, 16.7% of the respondents agreed that works procured by the hospital were not properly accounted for, and such information affects procurement planning. 36.7% of the respondents strongly disagreed, while 46.7% of the respondents also disagreed that Payments for uncompleted works were properly accounted for prior to procurement planning. The implications for the inability to account for payment for uncompleted works could increase the following years cost of procurement and that funds may not be available or inadequate for procurement activities in that year. It is therefore necessary that funds allocated for projects are managed prudently to avoid repackaging of uncompleted or old projects that would increase the entity procurement budget in a financial year.

**Table 4.9 Monitoring and Updating of Procurement Plans**

Do you undertake monitoring and updating of your procurement plans?	If Yes, by when?		Total
	No response	Quarterly	
Yes	30	30	100
No	0	0	0.00
<b>Total</b>	<b>30</b>	<b>30</b>	<b>100</b>

Source: Field Survey, 2013



From table 4.9, the respondents were asked whether they have been monitoring and updating of their procurement plans and at what time. All the respondents indicated that their procurement plans were monitored and updated quarterly by the various units and departments of the hospital. This serves as mechanism for evaluating performance of their procurement activities. The results obtained after the monitoring will assist procurement entities to update their procurement plans. The updated procurement plans served as historical records for lesson learned as well as vital information for future procurement planning for the hospital.

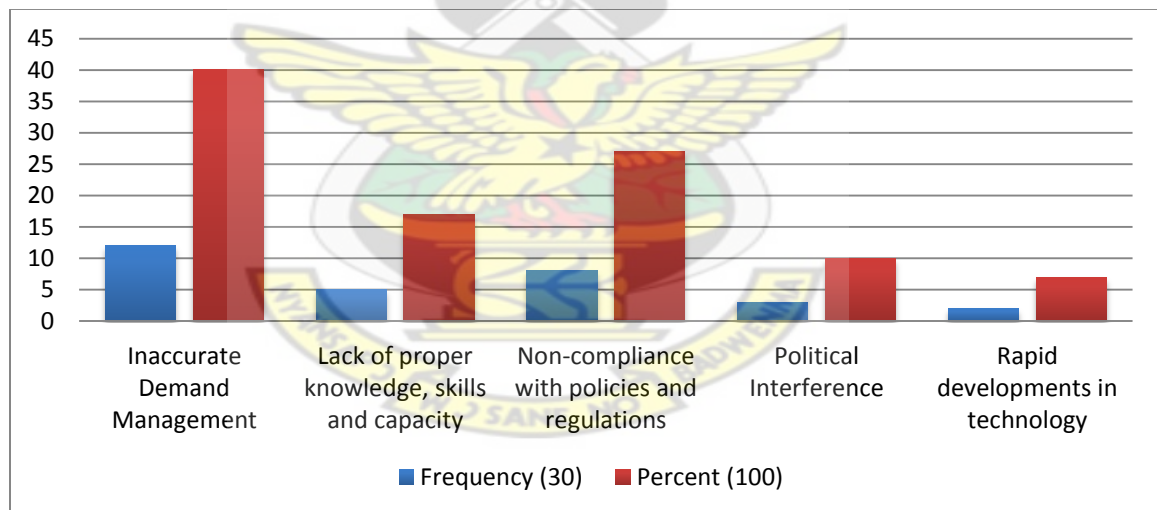
**Table 4.10 Types of procurement planning**

Types of procurement planning		Frequency	Percent
	Consolidated Procurement Planning	13	43
	Individual Procurement Planning	17	57
<b>Total</b>		<b>30</b>	<b>100</b>

Source: Field Survey, 2013

From table 4.10, 43% of the respondents indicated that they have been using consolidated type of procurement planning in which inputs from various units and departments are consolidated into one plan for the hospital. The advantage of this is that all units and departments inputs are consolidated as the annual procurement plan. The advantage of this is that is easily managed and controlled at a central point (Emeka 2010). The remaining 57% of the respondents indicated that they have been using Individual procurement planning. Procurement plans are done within the departmental and units level for the year. The advantages of this are that individual units or departments had control about their budget and procurement process (Emeka 2010).

## SECTION B-CHALLENGES AND IMPACT OF PROCUREMENT PLANNING

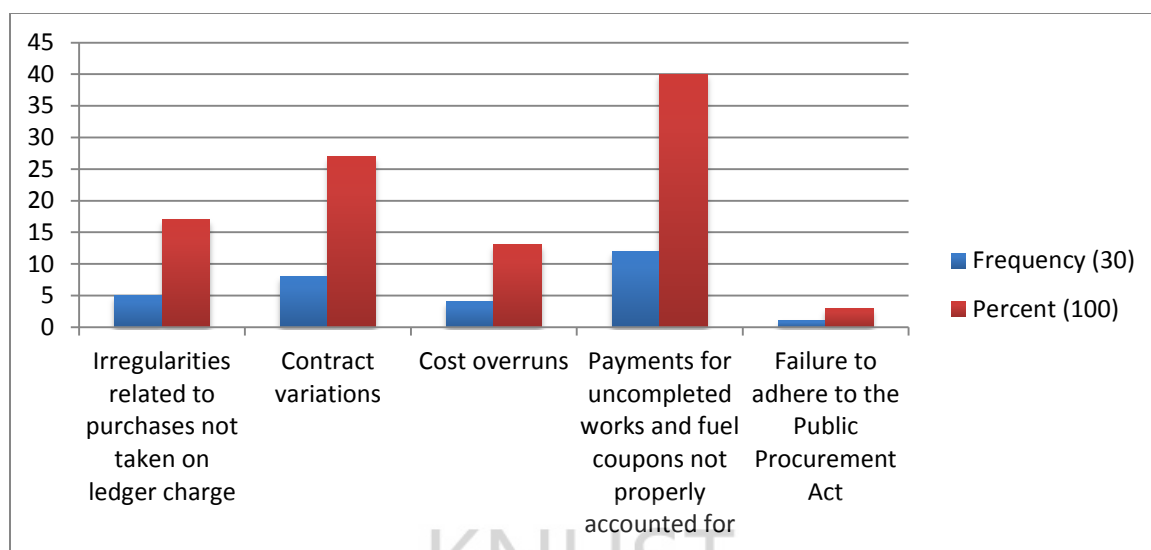


**Figure 4.1 Challenges in procurement**

Source: Field Survey, 2013

From Figure 4.1, the challenges in public procurement were identified. 40% of respondents identified inaccurate demand management as a challenge in public procurement. 27% of the respondents indicated non-compliance with policies, regulations and procedures of the Public Procurement Authority as a challenge in procurement. 17% of the respondents also identified lack of proper knowledge, skills and capacity in the public procurement as a challenge facing the hospital in the operation of procurement process. 10% of the respondents indicated political interference as a challenge for effective and efficient execution of procurement activities. The remaining 7% of the respondents also indicated rapid development of technology pose a challenge to them in the procurement process.

The implications are that the hospital management and authorities ought to continue to provide capacity development and skills training for their staffs that are involved in procurement to enhance work in minimizing the challenges identified. In addition, the challenges identified above can be managed if the Public Procurement Authority Act 663, 2003 is judiciously followed and put to use in the procurement process. Thai et al, 2000 also summarized the challenges as that the procurement policy requirements normally which include economic goals (preferring domestic or local firms), environment protection or green procurement (promoting the use of recycled goods), social goals (assisting minority and woman-owned business concerns), and International trade agreements. He stated that, it is very difficult for policy makers and public procurement practitioners to make an optimal decision, as there are always tradeoffs among these goals (Thai et al, 2005).



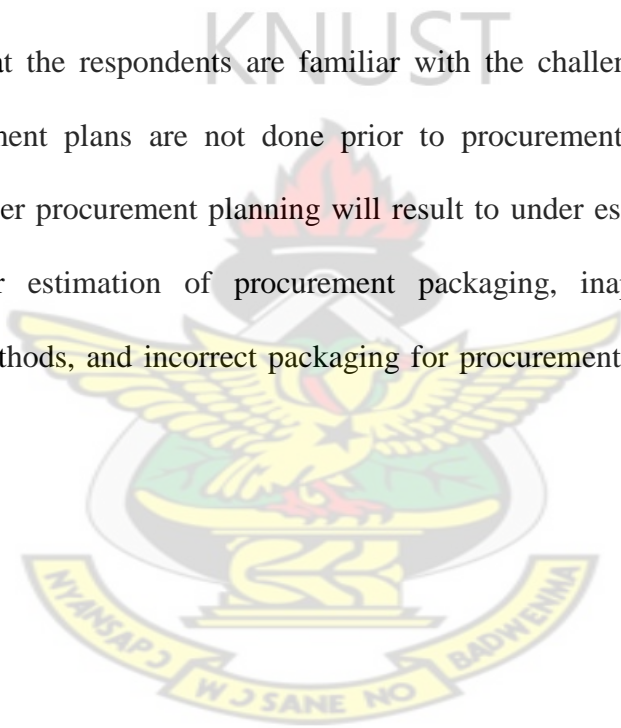
**Figure 4.2 Challenges in procurement planning**

Source: Field Survey, 2013

From figure 4.2, the challenges in procurement planning were identified. 40% of the respondents identified payments for uncompleted works and fuel coupons not properly accounted for as a challenge to procurement planning. 27% of the respondents indicated contract variations as a challenge to procurement planning, 17% of the respondents also indicated irregularities related to purchases not taken on ledger charge as a challenge to procurement planning, 13% of the respondents also identified cost overruns as a challenge to procurement planning. The remaining 3% of the respondents identified failure to adhere to the Public Procurement Act; Act 663 (2003) was a challenge in the preparation of their procurement plan. Irregularities related to purchases not taken on ledger charges, contract variations, cost overruns, payments for uncompleted works and fuel coupons not properly accounted for and failure to adhere to Public Procurement

Authority Act were identified in the literature review as challenges in procurement planning (World Bank, 2005). These challenges are similar to later findings of (Maurer, 2004), of ensuring that loan is used to buy only those goods and services needed for the project, ensuring fair competition for all qualified bidders from the World Bank's eligible countries, promoting transparency or integrity, and encouraging development of indigenous contractors and manufacturers by allowing local buyers to build in a margin of preference for local contractors and manufacturers (Maurer, 2004).

This implies that the respondents are familiar with the challenges that could result if proper procurement plans are not done prior to procurement implementation in the hospital. Improper procurement planning will result to under estimation of procurement packaging, over estimation of procurement packaging, inappropriate selection of procurement methods, and incorrect packaging for procurement activities (World Bank, 2005).

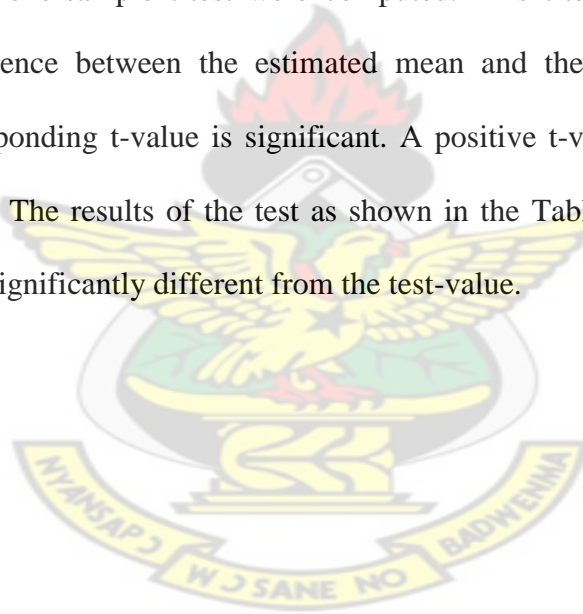


**Table 4.11 Impact of procurement planning**

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
Enables the procuring entities to abide by the various time frames in the procurement process	30	1.167	0.379	.069
Prevent rush of procurement activities towards the end of the budget year	30	1.167	0.379	.069
Funding for procurement is likely to be sufficient to meet all requirements	30	1.233	0.430	.079
Allows requirement to be aggregated into bulk purchases at lower unit costs	30	1.333	0.479	.088
Allows private sector to respond more effectively to requirements and specifications	30	1.300	0.466	.085
Creates value for money, transparency and competitiveness in the public procurement process	30	1.233	0.430	.079

Source: Field Survey, 2013

Table 4.3 presents the descriptive statistics of survey results on the impact of procurement planning. The impact of procurement planning were measured with dichotomous (Yes-1 or No-2) where values greater or equal to 1 indicate agreement to the alternative hypothesis that impact of procurement planning have positive impact on procurement management. The mean values of the responses obtained from the survey range from 1.167 to 1.333. These mean values were greater than the test value of 1. The standard deviations of the means range from 0.739 to 0.479 with standard error of 0.069 to 0.088. In order to test the significance of the difference between these means and the test value (1), a one-sample t-test were computed. This t-test asserts that there is no significant difference between the estimated mean and the test value (1) when the computed corresponding t-value is significant. A positive t-value means positive effect and vice versa. The results of the test as shown in the Table 4.4 show that estimated means were not significantly different from the test-value.



**Table 4.12 Impact of procurement planning**

One-Sample Test						
	Test Value = 1					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Enables the procuring entities to abide by the various time frames in the procurement process	2.408	29	.023	.1667	.0251	.3082
Prevent rush of procurement activities towards the end of the budget year	2.408	29	.023	.1667	.0251	.3082
Funding for procurement is likely to be sufficient to meet all requirements	2.971	29	.006	.2333	.0727	.3940
Allows requirement to be aggregated into bulk purchases at lower unit costs	3.808	29	.001	.3333	.1543	.5124
Allows private sector to respond more effectively to requirements and specifications	3.525	29	.001	.3000	.1260	.4740
Creates value for money, transparency and competitiveness in the public procurement process	2.971	29	.006	.2333	.0727	.3940

Source: Field Survey, 2013



The one-sample t-test therefore revealed that impact of procurement planning exerts positive impact on procurement management in the following:

- Enables the procuring entities to abide by the various time frames in the procurement process
- Prevent rush of procurement activities towards the end of the budget year
- Funding for procurement is likely to be sufficient to meet all requirements
- Allows requirement to be aggregated into bulk purchases at lower unit costs
- Allows private sector to respond more effectively to requirements and specifications
- Creates value for money, transparency and competitiveness in the public procurement process

This meant that the null hypotheses that the procurement planning does not exerts positive effect on procurement management is rejected. In other words the study affirms that procurement planning exerts positive effect on procurement management based on the benefits of procurement planning enlisted above.

The findings from the test has agreed with earlier works from various authors and the World Bank on the benefits and for that matter effects of proper Procurement Planning which enables the procuring entities to abide by the various time frames in the procurement process (World Bank, 2004), prevent rush of procurement activities towards the end of the budget year driven by the desire of full budget utilization (Andrea, 2009),

publication of realistic annual procurement plans allows the private sector participation Rwanda Public Procurement Authority (RPPA), (2010), create value for money in the public procurement process (PPA, Act 663, 2003) and allows requirements to be aggregated into bulk purchases at lower unit costs (World Bank, 2004).

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## **CHAPTER FIVE**

### **CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents the summary of the research findings, conclusions and the necessary recommendations.

#### **5.2 Conclusion**

The effective and efficient preparation of the Procurement Plan creates an opportunity for all stakeholders involved in the processes to meet in order to discuss particular procurement requirements. The inputs from these stakeholders (entity, end users, procurement department, technical experts, and even vendors) create a balance platform on meeting specific requirements for the hospital.

From the study, two main types of procurement planning have been identified in practice at the hospital namely Consolidated Procurement Planning (CPP) and Individual Procurement Planning (IPP). The Annual Procurement Plans whether Consolidated or Individually prepared by the departmental units at the hospital has been found to be a vital document that decides what to buy, when and from what source for the Ridge Hospital. It is during the procurement planning process that the procurement method to be used is assigned and the expectations for fulfillment of procurement requirements determined. Notwithstanding, the procurement plan permits the creation of a procurement

strategy for procuring each requirement that will be included in the procurement process for the hospital. Such strategy includes a market survey and determining the applicable procurement method given the requirement and the circumstances. Ridge Hospital Procurement Planners can therefore estimate the time required to complete the procurement process and award contract for each requirement. This will enable them to use combination of Consolidated and or Individual collusion of inputs methods identified in this study to meet demand on time and on budget.

However, the challenges identified in this study in the procurement and procurement planning called for innovation and opportunities for procurement officers at the Hospital to develop strategy in their annual procurement planning. For instance, issues of irregularities related to purchases not taken on ledger charge, contract variations, cost overruns, payments for uncompleted works and fuel coupons not properly accounted for called for strict adherence to Public Procurement Act (Act 663, 2003). Continuous knowledge, skills and capacity in the procurement planning are vital for procurement officers especially for officers in the health service procurement in which demand for complex drugs and technical healthcare equipment may readily not available in the open marketplace which called for innovation to meet such requisition and on time as well as within budget. In furtherance to that, the need for technical expertise to develop technical specifications and/or scope of work for certain requirements early for inputs can be assessed, especially where in-house technical capacity is not available or is non-existent. Public Procurement officers can therefore assess feasibility of combining or dividing procurement requirements into different contract packages.

Finally, benefits derived as result of an effective and efficient Procurement Planning has great impact on the entire procurement process. The hospital stands the greater chance of benefiting from adequate procurement plan preparations that will eventually lead to the realization of proper public procurement process in which the entire processes are managed professionally on cost, schedule and quality. In this way, the objectives of PPA are met thereby promoting good governance, value for money as well as allowing private sector participation in the procurement process for the hospital as result of better and improve timely procurement plan from the hospital.



### 5.3 Recommendations

From the findings, procurement planning exerted a positive effect on procurement management and there were benefits to be derived from procurement planning if properly collated and well coordinated from various units and departments at the Ridge Hospital prior to procurement undertakings. The inability to adequately assess and plan could lead to project slippage, increased cost risk, scope changes and variation as well overall project performance.

In the light of the foregoing conclusion, the following recommendations have been made with regards to the impact of procurement planning in the public procurement processes.

That procurement planning exerts positive effect on the management process and that units and departmental heads should make their inputs and requirements available on time for consolidation despite the issue of emergency situations that frequently occur at the hospital.

It is recommended that adequate risk assessment should be made prior to the signing of procurement contract as this could impact on the final procurement plan.

That various challenges in the procurement planning process identified in public procurement (irregularities related to purchases not taken on ledger charge, Contract Variations, Cost Overruns, Payments for uncompleted works and fuel coupons not properly accounted for) couple with general challenges in public procurement namely: inaccurate demand management, lack of proper knowledge skills and capacity in the procurement planning, non-compliance with policies and regulations, political

interference and rapid development of technology are rather opportunities for procurement officers to improve on their performance especially in the public procurement management where innovation and creativity in managing such challenges.

That capacity training on knowledge and skills acquisition on procurement planning and procurement management should be given to personnel at the hospital to improve performance.

That all units and departmental heads should see to it that inputs for their annual procurement plans are made available on time to be incorporated into the hospital annual procurement budget.

Finally, the various types of planning adopted by the hospital's (Consolidated Procurement Planning (CPP) and Individual Procurement Planning (IPP), should be functional and well coordinated to improve on performance for Ridge Hospital and Ghana Health Service in general.

#### **5.4 Scope for Further Research**

For further research, issues on non-compliance in public procurement and over-reliance on contingency funds on public procurement process phenomena common in public procurement in Ghana are worthy to explore.



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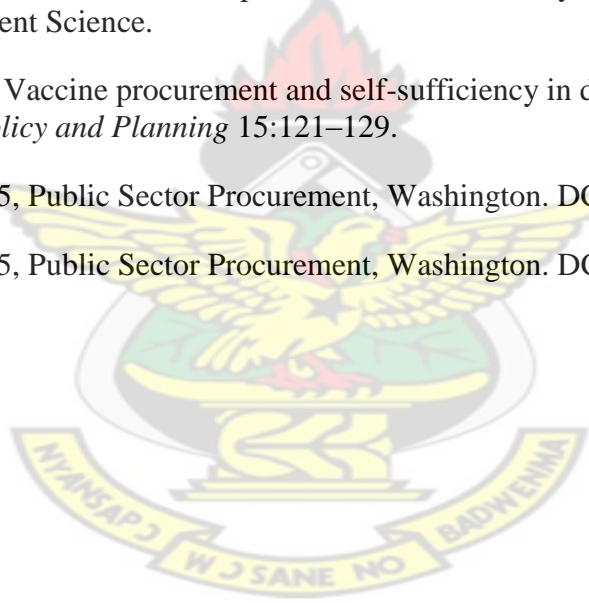
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## APPENDIX

### Questionnaire for Respondents

Dear Respondent,

The researcher is a student of Kwame Nkrumah University of Science and Technology, College of Architectural and Planning, Department of Building and Technology-Ghana.

As part of completion requirements for the award of MSc. Procurement Management the student is undertaking a research by using your Institution as case study on the topic:

**“IMPACT OF PROCUREMENT PLANNING WITHIN GHANA HEALTH SERVICE: A STUDY OF RIDGE HOSPITAL-ACCRA.”**

The research has been designed purely for academic purposes. The information given will be accorded the greatest degree of confidentiality.

**Instructions: Tick ✓ and or provide answers as appropriate.**

#### SECTION A: Biographical Data

##### 1. Profession/Occupation

( ) Health Service Administrator

( ) Procurement officer

( ) Finance' Officer

( ) Estate Manager

☐ Pharmacist

**2. Highest educational**

☐ Higher National Diploma (HND)

☐ Bachelors Degree (including honors)

☐ Postgraduate (MA/MSc/MPhil/PhD)

☐ Other (please specify).....

**3. How long have you been working with Ridge Hospital?**

☐ 1 to 5 years

☐ 6 to 10 years

☐ 11 years and above

**SECTION B-CONCEPT OF PROCUREMENT AND PROCUREMENT PLANNING**

**4. Does your Institution undertake annual procurement planning for your activities?**

☐ Yes

☐ No

☐ Uncertain

**5. If yes, what format do you use?**

☐ PPA format

☐ Institutional own format

☐ Other donor funded format

☐ Combination of all formats

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**6. Which of the following procurement method(s) are you involved in your Institution?**

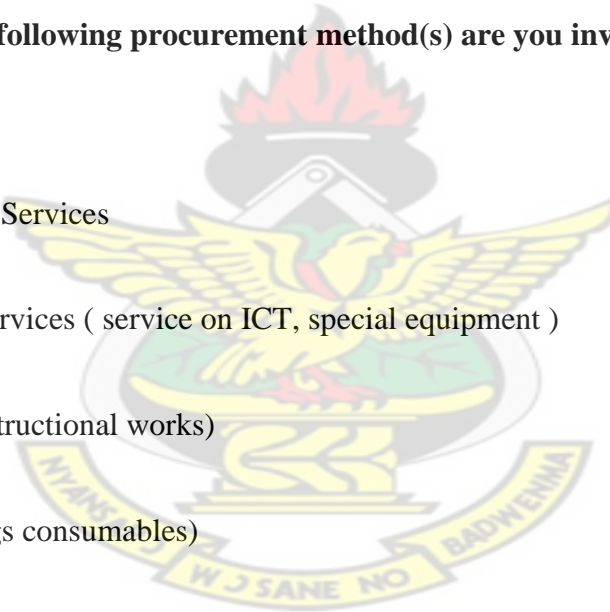
☐ Consultancy Services

☐ Technical Services ( service on ICT, special equipment )

☐ Works (constructional works)

☐ Goods ( drugs consumables)

☐ Goods (Non-drug consumables)



**7. Which of the following are the main source(s) of inputs for your procurement planning?**

- ☐ From user departments and units
- ☐ From annual estimated budget
- ☐ From previous procurement plans (historical records)
- ☐ During project implementation
- ☐ Hospital Stores

**8. Do you take an input from both external and internal stakeholders in the procurement planning?**

- ☐ Yes
- ☐ No
- ☐ Uncertain

**9. If yes, from where?**

- ☐ Public Procurement Authority
- ☐ Regional Health Administration
- ☐ Ministry of Health
- ☐ Ghana Health Service

☐ Departments and Units

**10. How involved are user departments and units in the procurement planning process?**

☐ Very High

☐ High

☐ Average

☐ Low

**11. Procurement Plans are often not submitted by your Institution to PPA for approval as required by law?**

☐ Strongly agree

☐ Agree

☐ Disagree

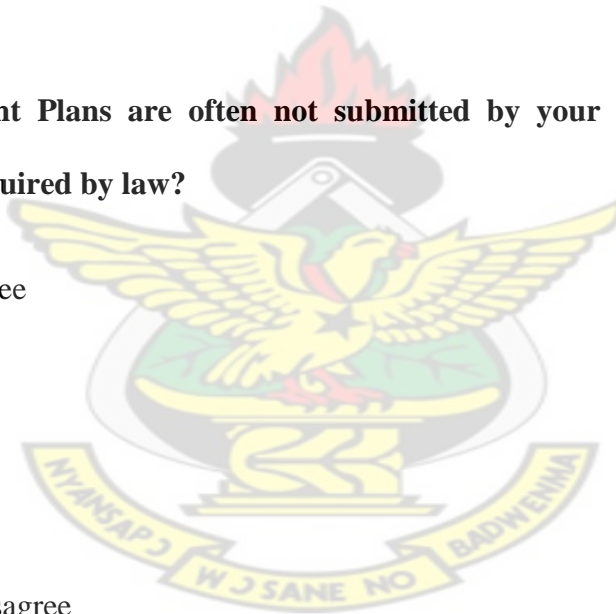
☐ Strongly disagree

☐ Uncertain

**12. Needs assessment are not properly done prior to procurement within the Institution?**

☐ Strongly agree

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☐ Agree

☐ Disagree

☐ Strongly disagree

☐ Uncertain

**13. Do you undertake monitoring and updating of your procurement plans?**

☐ Yes

☐ No

☐ Uncertain

**14. If Yes, from when?**

☐ Weekly

☐ Monthly

☐ Quarterly

☐ Annually



**15. Irregularities related to purchases not taken on ledger charge, contract variations, payments for uncompleted works not properly accounted for?**

☐ Strongly agree

☐ Agree

☐ Disagree

☐ Strongly disagree

☐ Uncertain

**16. What are the challenges in public procurement process within your Institution?**

☐ Irregularities related to purchases not taken on ledger charge

☐ Contract variations

☐ Cost overruns

☐ Payments for uncompleted works and fuel coupons not properly accounted for

☐ Failure to adhere to the Public Procurement Act 663, (2003)

Others.....

**17. What are the challenges in procurement planning within your Institution?**

☐ Inaccurate Demand management

☐ Lack of proper knowledge, skills and capacity

( ) Non-compliance with policies and regulations

( ) Political interference

( ) Rapid developments in technology

**18. Lack of procurement planning is a major source of operational problems within your Institution leading to?**

( ) A rush in procurement activities

( ) Higher expenditure on procurement activities

( ) Incorrect specifications of items to be procured

( ) Under/Over estimation of items to be procured

Others.....

**19. What are some of attributes of poor procurement planning within your Institution?**

( ) Incorrect packaging for procurement activities

( ) Inappropriate selection of procurement methods

( ) Over estimation of procurement packaging

( ) Under estimation of procurement packaging

Others.....

**20. What are some of the relevance of procurement planning?**

- ( ) Enables the procuring entities to abide by the various time frames in the procurement process
- ( ) Prevent rush of procurement activities towards the end of the budget year
- ( ) Funding for procurement is unlikely to be sufficient to meet all requirements
- ( ) Effective planning allows requirements to be aggregated into bulk purchases at lower unit costs
- ( ) Allows the private sector to respond more effectively to the requirements and specifications

Others.....

**21. Indicate the type (s) of procurement planning used in your Institution?**

- ( ) Consolidated Procurement Planning
- ( ) Individual Procurement Planning