



# Chapter 21

## General Procurement

### 1. Introduction

**Procurement is a process of purchasing resources** which facilitate implementation of a project activity to achieve a well defined objective. These resources include goods (equipment, material, consumables, including drugs and other medical supplies), civil works (construction/repairs/rehabilitation/extension), services (individual consultants, consulting firms, training, workshops) which are purchased from local and international markets through a transparent and competitive process. National HIV/AIDS Programs (MAP) are unusual compared to more traditional investment projects funded by donors in that they may procure more software<sup>40</sup> than hardware. The procurement procedures help achieving these goals.

Since the MAP invites active participation of the government (including its line ministries), private sector, civil society groups, communities etc., and at various levels of society from the national to the village; the procurement procedures have different scope and applicability (one size doesn't fit all).

In this chapter, key aspects of procurement procedures relevant to the MAP and its key implementing partners are highlighted for the benefit of the project implementation task teams.

References to this chapter provide details and relevant samples from various countries.

### 2. Why a clear understanding of procurement procedures is necessary?

- To get necessary resources such as goods, civil works and consulting services to those who are responsible to deliver project objectives within a time-period;
- To get the right resources, at the right time and at a competitive price by adopting a clear and transparent process to provide equal competitive opportunities for suppliers;
- To enhance accountability by procuring goods, equipment and services through fair, transparent, and competitive processes;
- To avoid serious delays in project implementation and increased costs.

### 3. What is the procurement process?

A procurement process involves clear understanding of (a) what to buy, (b) how to buy, and (c) what legalities are involved in the process. As long as these aspects are clearly known and followed, procurement becomes simpler to manage.

#### Box 21.1: Examples of packages

About 85% of the procurement in health sector development projects financed by the World Bank, is through a national competitive bidding process using government rules rather than through international competitive bidding.

<sup>40</sup>Information, education and communications campaigns, counseling capacity building, community mobilization, and social marketing of condoms etc.

Procurement under NAP is a challenge because it involves procurement management by:

- The NAS/NAC (and its similar structures at the sub-national levels);
- NGO/CBO/FBOs and the private sector;
- CBOs, FBOs, and other civil society organizations;
- Line ministries and government entities (including local government agencies); and
- The Ministry of Health.

## What is Procurement Policy?

Procurement policy is to ensure:

- That resources needed to carry out the project are procured with due attention to economy and efficiency (lower cost, best quality and timely availability);
- Funds are used to pay for resources needed; and
- All suppliers of good, services and civil works have an equal opportunity to compete.

The following<sup>41</sup> key aspects of procurement process are generally common to government and World Bank's procurement procedures :

- Transparency, fairness and fraud prevention is important so that everyone will know that funds are being honestly spent and accounted for;
- Equal opportunity ensures that the suppliers/sellers are provided with equal access to bid;
- Economy and efficiency (value for money) means that goods and services of acceptable quality will be purchased at a reasonable price. This also means that the procurement planning<sup>42</sup> capacity of the beneficiary organizations are satisfactory;
- Effectiveness<sup>43</sup> means that the goods and services will fulfill subproject objectives.
- The ability of the supplier/seller to provide the goods and services has to be documented so that there is assurance that what is promised can be provided.

It is important to know that the funds from MAP are public money and thus accounting for their use is fundamental.

## What to buy?

### By NAC/NAS, line ministries, larger NGOs

These institutions can buy all types of goods, consulting services, and some civil works (see Table 15.1) except military equipment, illicit drugs and large buildings. However, during the project preparation stage (or during its review), an assessment of procurement management capacity is recommended for all involved agencies. Based on this assessment, decisions should be made about which specific items under these categories can be procured by the subject institution(s).

If these institutions lack satisfactory procurement management capacity, then the NAC/NAS should undertake this responsibility, or hire an intermediary (procurement advisory agency or procurement agent) to provide the service.

### Box 21.2: Examples of packages

In Sierra Leone, the Ministry of Health is already implementing an IDA financed project and has a capable procurement unit. Therefore, this ministry can do all its own procurement under the MAP project. Similarly, if other line ministries in a MAP country already have a functional procurement unit, then they can also undertake procurement of items under MAP financing.

<sup>41</sup> Recommendations from the workshop of National HIV/AIDS Program Practitioners held in Nairobi, January 2003.

<sup>42</sup> See section 3.3.4

<sup>43</sup> Efficiency and effectiveness are often ensured through a competitive bidding process in which a bidder has to make available goods and services at the lowest possible price with acceptable quality;

It should be noted that it is not the objective of a MAP to establish new procurement management structures in public and private agencies. Therefore, contracting this responsibility is encouraged as an option to promote efficiency and effectiveness. However, it is NAC/NAS’s responsibility to provide basic training to key implementing partners in sensitizing and training them in essential procurement procedures; this training is usually contracted to specialized firms or qualified NGOs.

**By CBOs, Civil Society Groups etc.**

Under the Local Response component of the MAP, there is enormous flexibility in what communities can purchase. The following general items (given as example<sup>44</sup>) can be purchased by the grant beneficiary groups. During the subproject proposal review, the approval authority (NAC/NAS) should assess the procurement management capacity of the grant applicants and decide whether an applicant can take this responsibility or not. Table 21.1 illustrates what can be purchased by the CBO/FBOs

**Table 21.1**

By the Communities, CSOs and CBOs	By the Intermediaries (groups providing support to the communities)
<ul style="list-style-type: none"> <li>• Renovation or construction work related to a day-care shelter or a room for PLWHA;</li> <li>• Generic drugs like aspirins and lotions;</li> <li>• Seeds/saplings for the harvest and use of indigenous medicinal plants and herbs;</li> <li>• Food rations (or supplements) for PLWHA;</li> <li>• Supplies (e.g., plastic sheets, gloves, mosquito nets);</li> <li>• Hiring of persons/organizations (e.g. local NGOs) to provide technical support for the preparation of community proposals, or in implementing any community based project related activity;</li> <li>• Items related to income generating activities;</li> <li>• Orphan support such as payment of school fees, etc;</li> <li>• Other relevant expenses.</li> </ul>	<ul style="list-style-type: none"> <li>• Items related to capacity building at the community level;</li> <li>• Travel expenses to provide assistance to the communities;</li> <li>• Information, Education and Communications (IEC) materials/equipment and their distribution;</li> <li>• Family life education materials (FLE);</li> <li>• HIV/AIDS prevention promotion (condom distribution and education);</li> <li>• Monitoring and supervision expenses; and</li> <li>• Other relevant expenses.</li> </ul>

<sup>44</sup> All examples are informative since an important element of the MAP approach is to provide maximum flexibility to implementing agencies about program content.

**What are Procurement categories?**

Every item purchased by NAC/NAS, line ministries, NGOs/CBOs/FBOs belongs to a procurement category as presented in Table 21.2.

**Table 21.2. Procurement Categories**

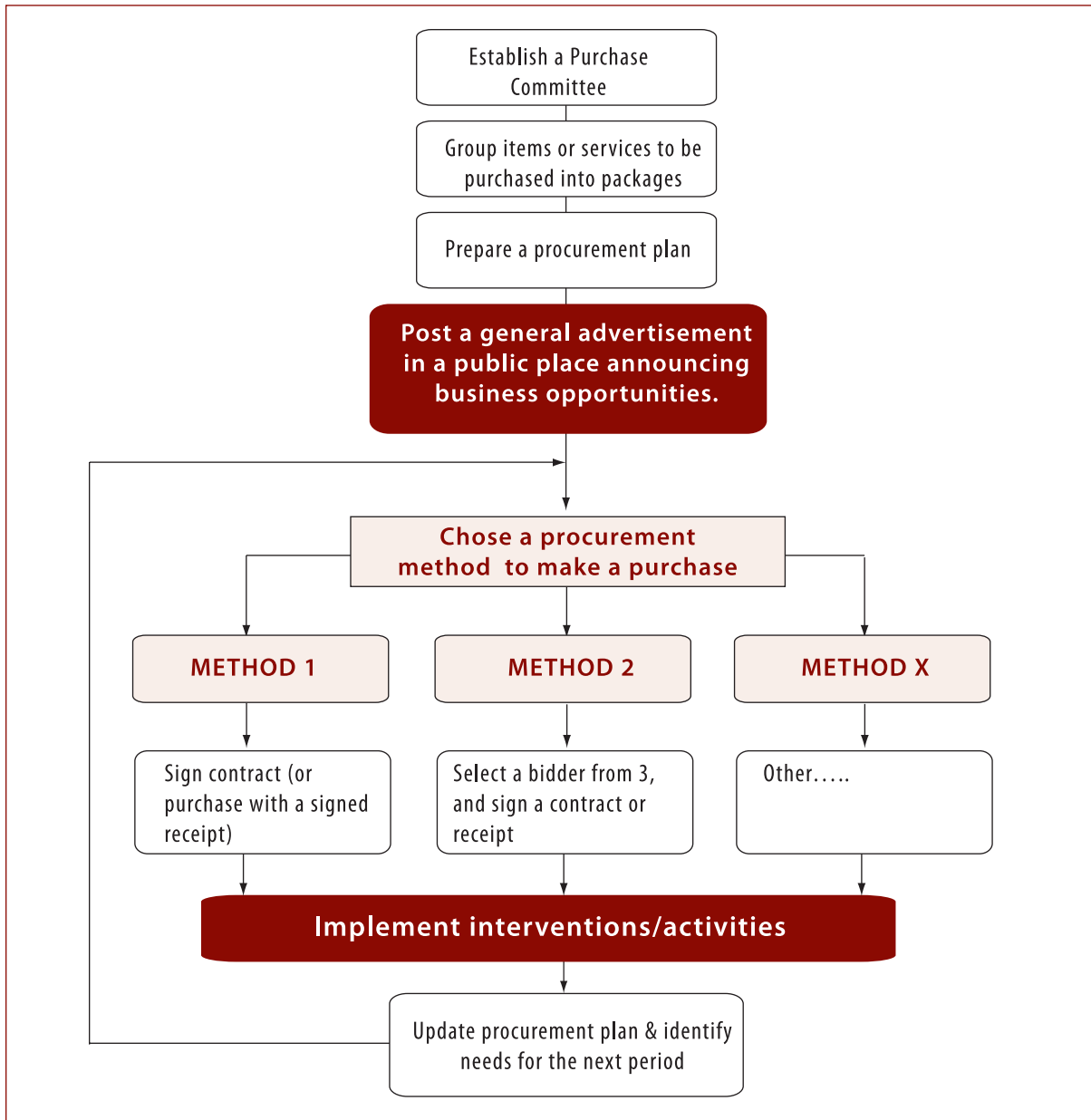
Procurement Categories	Examples
<p><b>1. Goods</b></p>	<ul style="list-style-type: none"> <li>• Equipment (furniture, computer equipment and peripherals, other)</li> <li>• Vehicles (bicycles, motorcycles, sedan cars, 4x4 vehicles, pick-up trucks, vans, ambulances etc)</li> <li>• Printed materials (IEC/BCC materials, books, teaching/learning materials, guidelines etc)</li> <li>• Consumables (office stationery, clinical consumables etc.)</li> <li>• Biomedical equipment (related to HIV testing and storage)</li> <li>• Drugs (for opportunistic infections and ARVs)</li> <li>• HIV test-kits and related supplies</li> <li>• Condoms</li> <li>• Other</li> </ul>
<p><b>2. Consulting Services</b></p>	<ul style="list-style-type: none"> <li>• Individual Consultants (local and foreign: for individual assignments). They are needed for the tasks which do not require a team (individuals can be hired by entities benefiting from the NAP funding, this includes services of accountants, bookkeepers and procurement professionals etc.);</li> <li>• Consulting Firms. Financial management, procurement management, assessments, surveys, studies, research, evaluations, monitoring, supervision, IEC, TV/radio air time, production of IEC materials, systems development and installations e.g. MIS, other NGO or CBOs;</li> <li>• Training. Training of personnel, sensitization, seminars, study tours, workshops, campaigns through seminars). Note that ALL expenses related to conducting a training activity, including the cost of resource persons, consultants, venue, per diems, materials cost is included in the Consulting Services category.</li> </ul>
<p><b>3. Civil Works</b></p>	<ul style="list-style-type: none"> <li>• Major works involve construction of new clinical site or major rehabilitations or extensions (e.g. extension of an existing health care facility to include VCT).</li> <li>• Minor works involve minor repairs of a office building/room, clinics which may include electric re-wiring, re-painting, patch work etc.</li> </ul>
<p><b>4. Community Grants</b></p>	<p>Under this procurement category, NAC/NAS (or its designated government or non-government body) signs a contract with a grant applicant. Or a NGO/CBO signs an agreement with other institutions or individuals to support grant activities like orphan support and income generating activities for PLWHA.</p>

## How to buy?

### Overall procurement process

There are different methods depending on what is being bought and how much would it cost. Figure 21.1 shows the overall procurement process.

Figure 21.1. Overall Procurement Process



**Purchase Committee**

All entities<sup>47</sup> benefiting from the NAP should establish a **Purchase or Procurement Committee** responsible for procurement under the project. The committee should have *at least 3* members having appropriate expertise in technical, financial and management matters; more members can be added. This committee will be responsible for:

- Preparing a procurement plan and updating it regularly;
- Approving what to buy, and when to buy?
- Finalizing technical specifications and terms of references (often very simple) for goods/civil works and consulting services respectively;
- Carrying out the procurement steps defined in the procurement manual prepared by NAC/NAS; and
- Keeping procurement and financial records in proper order for audit purposes.

**Selecting a procurement method**

In general, the choice of a procurement method depends on the *financial value of the resource(s) to be purchased*. For example, the NAC/NAS may decide that all purchases above, say, US\$1000 should use the Local Bidding Method with those below \$1000 using the Quotations based method. Therefore, this US\$1000 becomes the threshold between one procurement method and another. Note that it up to the NAP to set these thresholds.

**(i) Thresholds for NAC/NAS, Line Ministries and NGOs (and similar entities)**

An example of thresholds is given in Table 21.3.

**Table 21.3. Procurement Thresholds**

Financial value of a Package (thresholds)	Procurement Method
Packages of goods costing, for example USD 100,000 or above (the limit is determined during the project preparation)	International Competitive Bidding (ICB)
Packages of goods estimated to cost, for example less than USD 100,000 equivalent up to an aggregate amount (in total project life) of USD 300,000	National Competitive Bidding (NCB)
Procurement for readily available off-the-shelf goods that cannot be grouped together and estimated to cost, for example less than USD 30,000 equivalent up to an aggregate amount (in total project life) of USD 650,000.	Shopping (S)
Condoms may be procured on basis of LIB or, alternatively such goods may also be procured from UN Agencies (e.g. UNICEF, UNFPA, WHO or IAPSO - Inter-Agency Procurement Services Office) provided each such contract does not exceed, for example USD 100,000.	Limited International Bidding (LIB)
Consulting services, usually USD100,000 or more	Quality and Cost Based Selection (QCBS)
Individual Consultants, usually above USD 50,000	Individual Consultant (IC)
Individual Consultants, usually below USD 50,000	Short-list of at least 3 resumes, selection of one and award of contract)

<sup>45</sup> Line ministries, NAS/NAC, NGO/CBO/FBOs

**(ii) Thresholds for CBOs, Civil Society Groups etc.**

An illustrative example is given below in Table 21.4

<b>Threshold:</b> When the value of an item or a package of items is:	<b>Use this method</b>
<b>Above US\$1000</b>	Bidding method (Advertise and select a bidder/seller)
<b>Between US\$500 to US\$999.99</b>	Three quotations method
<b>Below US\$500</b>	Direct purchase or buy off the shelf directly form a seller (Shop around for the best price and keep a receipt)

**(iii) Special procurement considerations for small scale CBOs/FBOs**

In a multi-country workshop on Fiduciary Management in South Africa in July 2003 many participants complained about the difficulty of the “three quotations method” at the community level. It was recognized that many items that are similar throughout the country, for example, school uniforms, textbooks, school stationery (for OVCs), home based care supplies including off-the-shelf medicines and supplies can be purchased using the direct purchase method. NAC/NAS need to identify such items and include them in the grant agreement with the CBO.

**What is included in procurement planning?**

Procurement planning is essentially the scheduling of stages involved in the procurement for goods, works and services, and identifying answers to: What to buy? When to buy? How much/many to buy? From where to buy? and How much to allocate for payments?

**a) Packaging**

To get the best price for goods, services or civil works, similar items should be grouped into packages. For example, registers, pencils, pens, file folders can be grouped into one package and called “stationery”. Procurement packaging has several advantages:

- It offers a better business opportunity to the sellers to supply in bulk;
- Items purchased in packages often result in lower unit cost – therefore cost savings;
- It simplifies actual purchase. All similar items are purchased in one transaction for a period of time. This reduces the hassle involved in buying similar things intermittently; and
- It reduces overhead costs such as frequent advertising, bookkeeping and logistics.

**Box 21.3: Examples of packages**

**Stationery:** Account registers, pencils, pens, file folders and flipcharts.

**Medicines:** Painkillers, Anti-diarrhea, ORS, Vitamins, Antibiotics, Antacids, Cough syrups.

**Home-base care kits:** (a) Towel, soap, waste bag, bathroom scale; (b) Pair of scissors, razor blades, cotton wool, gauze, disposable gloves, specimen bottles, thermometers, bandages. (c) Various food items including rice and beans bags. (d) Soap making items for income generation activities. (e) Other.

Once packaging of the similar items are done, they can be split into different “lots”, spread over a period of time (e.g., the project duration, 12 months, 18 months etc.). “Lots” are to ensure that the goods/services are procured intermittently to ensure their availability for the project duration.

## b) Procurement plan preparation

Once packaging is done, the remaining individual items and the packages should be recorded in the tables presented in *references*<sup>46</sup>. This produces a consolidated list of resources required for the entire project or subproject. For convenience, all goods, services and civil works are grouped under the different tables. Once the tables are completed, a procurement plan is ready.

## c) Funds disbursement vis-à-vis procurement planning

There are two methods NAC/NAS can choose to disburse funds to beneficiary organizations implementing subprojects:

- **Method 1**<sup>47</sup>. Disbursement based on submission of quarterly (or other convenient period) progress report including financial reports. Under this procedure, (i) an organization receives funds for one quarter/period, (ii) implements the activities planned for the quarter, (iii) accounts for the money spent (submits report), (iv) and receives funds for the next quarter or period. The grant recipient keeps the receipts in a safe place for the future audits.
- **Method 2**. Disbursement based on the submission of Statement of Expenditure (SOE). Under this procedure, (i) an organization receives an initial advance (say 40%), (ii) implements activities planned for that advance period, (iii) when the initial advance money expenditure reaches to, say about 50-60%, it accounts for the money spent (submit reports and receipts), and (iv) receives replenishment or the next phase.

### Box 21.4: Fund replenishment period

If an organization finishes its planned activities for a quarter ahead of time, it does not need to wait for the quarter to end (90 days or other period) before it can submit its quarterly report. A report should be immediately sent to NAC/NAS for further funding as soon as planned activities are implemented and the money is accounted for.

Assuming that Method 1 is clearly understood, it is the preferred mechanism for the disbursement of funds for the following reasons:

- An organization can plan for a shorter period (say, quarterly) by focusing on specific and clearly defined activities deliverable in each quarter;
- An organization as well as NAP knows in advance when the reports are expected; therefore cash requirement planning is better for both parties which helps in faster disbursement of funds;
- There is less overhead involved in record keeping and collating financial reports.
- There is no need to attach expenditure receipts with the periodic reports. Receipts are kept with the grant recipient for future audit by NAC/NAS.

Procurement planning should not be affected by the type of disbursement method used. It is basically recommended to facilitate better management and implementation of subproject activities as well as getting value for money. All organization should prepare and regularly update their procurement plans regardless of the method of disbursement used. Where capacity to store goods and suppliers exist, purchase should be made in bulk. 3.3.5. Procurement methods

<sup>46</sup>Note that there are more information required to be entered in reference 21. 2 tables, for example, "Which procurement method will be used?" column. These methods are explained in section 3.3.5

<sup>47</sup> For example, Method 1 is used in Kenya and method 2 is used in Ethiopia and The Gambia.

## Procurement Methods

### (i) Procurement Methods for NAC/NAS, Line Ministries, NGOs (and similar entities)

Detailed steps involved in these procurement methods are provided in Reference 21.1.

**Table 21.5 Procurement Methods**

Procurement Method	What it is?	Applicable to:
GOODS and CIVIL WORKS		
<b>International Competitive Bidding (ICB).</b>	This procedure is used for inviting local, as well as international suppliers/contractors to bid for the goods and services at least 45 days before bid opening. This procedure is usually for the groups of items that are of higher monetary values and/or items that are not locally available. The World Bank's standard bidding documents are mandatory.	<ul style="list-style-type: none"> <li>• NAC/NAS</li> <li>• Line Ministries (which have sufficient procurement capacity)</li> <li>• NGOs (or others which would be involved in international procurement and have sufficient capacity).</li> </ul>
<b>National Competitive Bidding (NCB)</b>	This may be the most efficient and economical way of procuring goods or works given the nature of MAP programs. This procedure is almost the same as a ICB except that the invitation for bids should be published only in the national press at least 35 days before the opening of bids. There are no mandatory standard bidding documents, and the government procedures apply which have been agreed with the World Bank during project preparation.	<ul style="list-style-type: none"> <li>• NAC/NAS</li> <li>• Line Ministries (which have sufficient procurement capacity)</li> <li>• NGOs (or other which have sufficient capacity).</li> </ul>
<b>National Shopping (NS).</b>	This method is used for the procurement of readily available off-the-shelf items that cannot be grouped together into a bigger package of goods. Under this method, items are procured on the basis of quotations from at least 3 eligible suppliers in the country. Requests for such quotations will include a clear description/ specification and the quantity of the goods as well as requirements for delivery time, place for the delivery or services, including any installation requirements as appropriate	<ul style="list-style-type: none"> <li>• NAC/NAS</li> <li>• Public and private entities</li> <li>• NGOs, CBOs, CSOs.</li> </ul> <p><b>Note: Procurement methods for the communities are explained after this table.</b></p>
<b>International Shopping (IS)</b>	This method demands quotations from at least 3 suppliers in 2 different countries. National shopping may be used where the desired goods are ordinarily available from more than one source in a MAP country at competitive prices.	<ul style="list-style-type: none"> <li>• NAC/NAS</li> </ul>
<b>Limited International Bidding (LIB)</b>	This method is essentially ICB by direct invitation without open advertisement. It may be an appropriate method of procurement where (i) the contract values are small, or (ii) there is only a limited number of suppliers, or (iii) other exceptional reasons may justify departure from full ICB procedures. Under LIB, bids from a list of potential suppliers are sought which are broad enough to assure competitive prices, (the list would include all suppliers when there are only a limited number). In all respects other than advertisement and preferences, ICB procedures apply.	<ul style="list-style-type: none"> <li>• NAC/NAS</li> </ul>
<b>Procurement from an UN agency (UN)</b>	There may be situations in which procurement from specialized agencies of the United Nations (UN), acting as suppliers, pursuant to their own procedures, may be the most economical and efficient way of procuring small quantities of off-the-shelf goods, for example condoms.	<ul style="list-style-type: none"> <li>• NAC/NAS</li> <li>• Ministry of Health</li> </ul>

Table 21.5 Procurement Methods *Continued*

Procurement Method	What it is?	Applicable to:
Direct Contracting or Single Source Selection (SSS)	This method is applicable when: (a) an existing contract awarded in accordance with procedures may be extended for additional goods/works of a similar nature; (b) standardization of equipment or spare parts, to be compatible with existing equipment, may justify additional purchases from the original supplier; (c) the required equipment is proprietary and obtainable only from one source; (d) the contractor responsible for a process design requires the purchase of critical items from a particular supplier as a condition of a performance guarantee; (e) in exceptional cases, as in response to natural disasters.	<ul style="list-style-type: none"> <li>• NAC/NAS</li> </ul>
CONSULTANTS	(firms and individuals)	
Least Cost Selection (LC)	This method is more appropriate for the selection of consultants for assignments of a standard or routine nature (audits, engineering design of noncomplex works, and so forth) where well-established practices and standards exist, and in which the contract amount is small (amount is determined during project preparation).	<ul style="list-style-type: none"> <li>• NAC/NAS</li> <li>• Line Ministries (which have sufficient procurement capacity)</li> <li>• NGOs (or others who have sufficient capacity).</li> </ul>
Quality and Cost Based Selection (QCBS)	QCBS is used to procure services of individuals or firms when the quality of the output is of the first concern, and then the cost. QCBS uses a competitive process among short-listed firms that takes into account the quality of the proposal and the cost of the services in the selection of the successful bidder. Cost as a factor of selection is used judiciously. The relative weight to be given to the quality and cost is determined for each case depending on the nature of the assignment.	<ul style="list-style-type: none"> <li>• NAC/NAS</li> <li>• Line Ministries (which have sufficient procurement capacity)</li> <li>• NGOs (or other who have sufficient capacity).</li> </ul>
Selection Based on Consultant's Qualification (SBCQ)	This method may be used for very small assignments for which the need for preparing and evaluating competitive proposals is not justified.	<ul style="list-style-type: none"> <li>• NAC/NAS</li> <li>• Line Ministries (which have sufficient procurement capacity)</li> <li>• NGOs (or other who have sufficient capacity).</li> </ul>
Single Source Selection (SSS)	Single-source selection may be appropriate only if it presents a clear advantage over competition: (a) for tasks that represent a natural continuation of previous work carried out by the firm/consultant, (b) where a rapid selection is essential (for example, in an emergency operation), (c) for very small <sup>48</sup> assignments, or (d) when only one firm is qualified or has experience of exceptional worth for the assignment.	<ul style="list-style-type: none"> <li>• NAC/NAS</li> <li>• Line Ministries (which have sufficient procurement capacity)</li> <li>• NGOs (or other who have sufficient capacity).</li> </ul>

**(ii) Procurement Methods for CBOs, Civil Society Groups etc.**

There are three methods for CBOs, Local NGOs and similar organizations, but two of the three methods are most commonly used. All three methods are described below:

**a) Direct purchase method**

In the Direct Purchase method, the CBO/LNGO Procurement Committee approaches a supplier/seller or service provider familiar to the community, to provide the goods or consultancy services. After negotiations, the item/service is purchased (or a contract is signed, if needed) for the negotiated price.

**Box 21.5 Examples of Direct Purchasing.**

- Any good or consultancy service that is below the threshold defined by NAS in a table similar to Table 15.3 in this manual.
- If above the threshold and there is only one qualified supplier or service provider in the community.
- If above the threshold and there is an immediate/urgent need to hire the services of a specialist or to buy some supplies.

<sup>48</sup>Amount is determined during project preparation

This method is applied for all purchases that are below the financial threshold defined by the NAS (for example see Table 21.4).

However, there may be instances when some good/service is required but its estimated financial value is above the threshold for direct purchase method. This situation may arise due to the following:

- The competitive methods<sup>49</sup> cannot be used due to exceptional reason(s) like distance, availability of goods/services, higher overhead etc;
- Only one supplier or service provider has the qualifications or has experience of exceptional worth to carry out the assignment; or
- The assignment represents a natural or direct continuation of a previous contract awarded competitively, and the performance of the supplier or service provider has been satisfactory; or
- A quick selection of the supplier is essential, for example, in emergencies.

The decision on the use of this method's is made on the basis of strong and convincing justifications, and where it offers clear advantages over the competition. It is recommended that these justifications be provided in the subproject proposal.

But when a direct purchase has to be made above the prescribed threshold for the method, the **advantages** include: immediate availability of resources in a shorter period of time and facilitation in dealing with emergency situations or to encounter sudden unforeseen needs. And the **disadvantages** include: lack of transparency and risk of lack of providing opportunities to other prospect suppliers/service providers who would have provided a better service at a lower cost.

### b) Quotations<sup>50</sup> based method

This method involves collection of at least three quotations (or proforma invoices) from different suppliers/service providers. Essentially, the CBO/NGO purchase committee determines what to buy; then at least three quotations are collected and the least expensive which is acceptable in quality is selected and purchased

The **advantages** of this method include: getting value for money through competition, transparency and ease in accountability/audit, and business opportunity for the suppliers/service providers. The **disadvantages** include effort and time involved in obtaining three quotations (which may not be available in one place), overhead in terms of selection of a supplier and record keeping.

### c) Local bidding method

This method is more elaborate than the quotations based purchase method. It is applicable to higher value purchases and requires more procurement experience. This method requires advertisement of goods and services needed, giving some time to all prospect bidders to quote their prices in sealed envelopes and to submit their bids, opening of the bids in the presence of all bidders, comparing the services offered and costs, selection of a successful bidder and award or signing of a formal contract.

Since this method is not currently in general use by the CBO/NGOs in implementing their HIV/AIDS activities, the whole method is described in **References** with relevant forms and formats.

However, as CBO/NGOs start scaling up their activities and start receiving more financial support from the NAP and procuring more goods and services; it is likely that they will need to apply this method.

<sup>49</sup> Quotations based or local bidding methods explained later.

<sup>50</sup> Also known as Proforma-Invoice based purchase or Local Shopping method.

## What are the possible contract relationships in a MAP project?

### Contract types

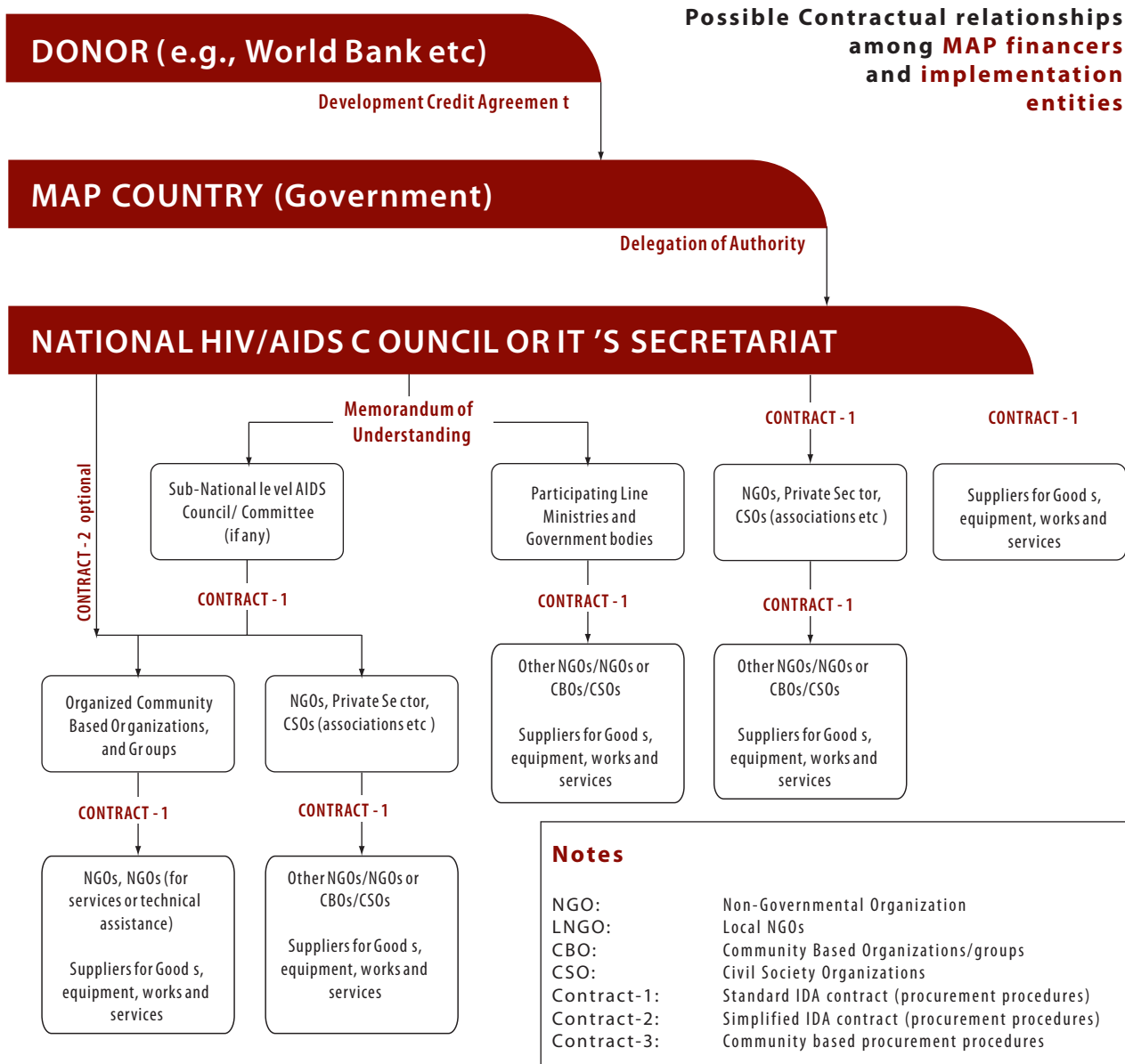
Obtaining the funding for procurement depends upon contractual agreements between the key funding and implementation entities. The following figure represents various contractual relationships among the MAP partners. The types of contracts shown in Figure 21.2 are:

**Contract type 1: Standard contracts;**

**Contract type 2: Simplified contracts (or simplified procurement procedures);**

**Contract type 3: Contracts related to community based procurement.**

Figure 21.2. Contract Relationship



- The legal agreement signed between the donor (e.g., World Bank) and an authorized Government institution (like Ministry of Finance) is known as a **Development Credit/Grant Agreement** or a **DCA/DGA**. The contents of the DCA/DGA should be well known to the NAC/NAS project implementation team..
- The Government (or its DCA/DGA signing authority) **delegates** project coordination responsibility to a national institution. In the MAP's case, it is the National HIV/AIDS Council and/or its Secretariat (NAC/NAS).
- NAC/NAS signs a **Memorandum of Understanding** or an **MOU** (a sample is presented in **Reference 15.3**) with other government bodies which includes participating line Ministries (or departments of state), Sub-National level government bodies like District Government, Commissioner's Office or District HIV/AIDS Committees; Social Fund management, Central Statistical Offices, Universities and other institutions. The MOU contains an agreement to deliver well-defined outputs/objectives under a agreed funding arrangement(s);
- NAC/NAS may sign **Contract agreements** with (a) NGOs (local or international) or similar entities, (b) private sector, associations and other organized entities; (c) CBOs/Communities (if needed); (d) suppliers/contractors. Also see the chapter on Contracting. Clear outputs to be delivered through these contracts should be described in (a) **Terms of Reference** (for services including technical assistance, training, and mobilization) and/or, (b) **Technical Specifications** (for goods and civil works);
- NAC/NAS can also directly sign **contracts** with Community Based Organizations (or groups) if they are organized and have the basic capacity to manage finances and deliver the outputs. This may become necessary where there is no other intermediary body existing (for example, district HIV/AIDS committee or a government structure – this may be a case in a post-conflict situation). Another situation may be when there is an intermediary body, but which is not ready to undertake MAP associated responsibilities and a CBO is capable to undertake a subproject;
- In an ideal situation, it should be a community group that should sign a contract (if needed) with a local NGO for technical assistance;
- The Community Based Organization, or Civil Society Organization (organized groups) can further sign **contract agreements** with suppliers/contractors per simplified procedures for the community based procurement. Generally, procurement of goods and services at the community levels involves very simple procedures based on transparency and simple record keeping.

### Service Contracts or Output-based contracts

A service contract is an agreement between MAP and NGO/CBO which has satisfactory fiduciary capacity to deliver well defined deliverables/outputs within an agreed cost and time period. In such a case, the NGO/CBO can apply its own fiduciary process and keeps the essential record of all expenses.

The NGO/CBO is held responsible for providing evidence that the outputs/outcomes of the contract are delivered in the quality and substance agreed with the NAC/NAS in the grant agreement/contract.

#### Box 21.6

The Ghana HIV/AIDS program signs service/output-based contracts with CBO/FBOs on agreed outputs for smaller grants. The recipient CBO/FBOs receive 100% advance payment to deliver the outputs. Ghana AIDS Commission monitors the delivery of outputs through its M&E officers located at the District level.

Ghana will be the first country implementing the MAP project ahead of planned project closing date.

#### 4. Lessons learned and recommendations

- **Contracting major operational functions significantly improves efficiency.** Some of the key contracting may include the following:
  - a) Financial management (accounting, disbursement and reporting, etc)
  - b) Procurement management (procurement management, procurement advisory services or both)
  - c) Community and Civil Society Initiatives component management, involving receiving subproject proposals, evaluation, approval, implementation, supervision and disbursement (all or selected operations)
  - d) IEC material development and nation-wide campaign activities
  - e) Community mobilization (to identify their needs, prepare proposals and manage funds)
  - f) Social marketing of condoms
  - g) Capacity development of core MAP focal points
  - h) Grant subproject receiving and technical evaluation
  - i) Sensitization of staff of participating line ministries and preparation of programs for ministry staff and clients
  - j) Financial Audit (mandatory)
  - k) Procurement Audit
  - l) Equipment maintenance
  - m) Vehicles maintenance
  
- **World Bank's procurement rules/procedures are extensive and flexible** but are not always understood; therefore the operations manual should clarify them in detail. These rules/procedures should be clear to stakeholders in advance of implementation, and field-tested, to manage expectations. Implementing agencies at all levels need sensitization and training in procurement funded by NAC;
- **Availability of local expertise in procurement planning and management is usually insufficient** given that the MAP provides funds to a large number of independent entities in the public and private sectors and to civil society. Alternatives should be identified early in the project including hiring international procurement specialists/firms for short- or longer-term assignments. However, local capacity in procurement planning and management should be built by training at all levels, and hiring of short-term consultants/firms at the start-up stage;
- **The procurement procedures should not be burdensome,** especially for small amounts (community-grants). Make the rules fit the implementation agency rather than vice versa.
- **Major bottleneck occurs when a responsible entity (or person) of a project component does not properly prepare terms of reference** (for consulting services) or technical specifications (for goods and works), or the procurement unit of the NAC/NAS doesn't prepare bidding documents correctly.
- **The situation is similar with NGOs** (or organized bodies) which are delivering services under a contract with NAC/NAS and are also engaged in subcontracting. These NGOs (or similar entities), should clearly understand the project's procurement rules, procedures and formats.
- **Procurement planning** task should be completed early in project preparation and reviewed regularly to avoid delays. The procurement plan should be an integral part of annual work plans;

- **The International Competitive Bidding (ICB) process** is time consuming (averaging 5-7 months). However, in practice, the ICB procedure is not a frequently used method in MAP projects; the bulk of ICB goods are usually acquired during the first 12-18 months of a MAP project;
- **Simplified and speedy procedures** can be proposed for time-sensitive goods and services, especially drugs;
- **The project operations manual should clearly highlight various contractual agreements** between NAS and (a) government institutions, (b) with suppliers/contractors; and provide samples of the contract/agreement documents for goods and services;
- **Procurement of condoms** and associated social marketing as well as some medical procurement invite special attention.
- **In certain cases, the government's review bodies (such as the Treasury, Ministry of Finance, Central Tender Boards etc.) may take unusually long in reviewing the bidding documents.** It should be noted that about 85% of procurement in the health sector development projects financed by the World Bank has been through National Competitive Bidding processes, applying the government rules agreed during project preparation.
- **Procurement audit** (and monitoring) should be conducted for major NGO/CBO/CSO subprojects, and spot checks of community based subprojects;
- **A separate, simple procurement procedures manual should be prepared for the CBOs,** or community based groups. The manual should be clear on responsibilities and reporting; and should be distributed in local languages;
- **Procurement thresholds** for the community-based subprojects should be increased for community groups that have gained demonstrated experience.
- **Procurement results should be publicized** to share information and increase transparency;
- **Service (or output-based) contracts** for smaller grants to the CBOs/FBOs/NGOs are easier to manage. However, the NAC/NAS should have sufficient capacity for the monitoring of delivered outputs;
- **A simple list of purchase items** that are similar throughout the country can be produced by the NAP. These items need not require 3 quotations or a bidding process by the community groups.



See Annex 21 (CD-ROM) for further references and sub-manual on Generic Procurement Manual for CBOs and Local NGOs

