GHANA CONTRACEPTIVES SUPPLIES PROJECT

REVIEW AND ASSESSMENT OF OPERATING PROCEDURES AND POLICIES OF MFEP, MOH, AND DANAFCO LTD

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November 7, 1985

Ms Annerose MacArthur
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Ivory Coast

Dear Madam,

1.1 At your request, we have carried out an assessment of the methods and procedures which designated organizations in Ghana will use in financing and implementing the Ghana Contraceptive Supplies Project. The project's purpose is to increase the voluntary use of safe, effective and appropriate contraceptive methods, by ensuring a continuous supply of contraceptives is easily available to all consumers desiring them, and increasing the knowledge and use of contraception through informational programs.

1.2 The project is intended to be implemented through the following:

a) The existing service delivery networks of the Ministry of Health (MOH) in the public sector;

b) A contraceptive social marketing program in the private sector, using the services of DANAFCO Ltd.

Overall administrative responsibility for the private sector is expected to rest with the Ministry of Finance and Economic Planning (MFEP).

1.3 The specific terms of reference for our assessment of the capabilities of the three implementing agencies, namely, MFEP, MOH and DANAFCO Ltd. are attached as Appendix IV of this report. Our overall conclusions and important recommendations are set out in Section II of this report. In Section III we set out brief details of the work done, including significant observations which we consider warrant the attention of the United States Agency for International Development (USAID) and the agencies involved in the implementation of the project.

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1.4 We are grateful for this opportunity to be of service to you, and look forward to continuing cordial relations and cooperation with your agency. We also wish to take this opportunity to record our appreciation for the efforts of those officials of USAID, MFEP, MOH and DANAFCO Ltd who assisted our staff during this assignment, and to thank them for the courtesies extended to us.

Yours faithfully,

SECTION II

SUMMARY OF OUR OVERALL CONCLUSIONS AND RECOMMENDATIONS

2.1 In this section we provide a summary of our overall conclusions and recommendations. These conclusions and recommendations were developed from our observations and are discussed in greater detail in Section III of this report.

2.2 **We consider that all agencies have the potential capability ableit in varying degrees, to carry out the functions and roles assigned to them under this project. However, to ensure optimum effectiveness and full compliance with project requirements expert and specialised assistance needs to be provided to each of them in some areas and certain functions may have to be reassigned or delegated.**

2.2.1 Our overall conclusion is that all selected agencies have the potential to carry out the functions assigned to them. However there are certain limitations to existing capabilities of these agencies as relates to certain details of the roles assigned to them.

2.2.2 To ensure optimum effectiveness and full compliance with project requirements specialised and expert assistance needs to be provided to each of them in areas where their capabilities may be inadequate. We noted, for example, that assistance is already being provided by USAID, through SOMARC, to DANAFCO in defining promotional activities and market strategies, and to Pharmahealth in setting up training schedules and in the design of instructional materials.

2.2.3 We consider that the MOH would also require assistance in improving controls over supplies management and establishing documentation and record keeping for project activities. The MFEP may need to delegate financial record keeping to other agencies of government, and would require assistance in developing reporting guidelines for DANAFCO and reviewing their cost estimates and funding requests.

2.3 **Government of Ghana financial support may not be available in sufficient amounts on a timely basis to both public and private sector programs unless special efforts are initiated well in advance to secure necessary funding.**

2.3.1 There are restraints in place on public expenditure as part of the economic recovery program. The central government budgetary process has been delayed in recent years, and we are uncertain that all appropriations for the counterpart funding requirements of the project would have been approved in the normal way before disbursements become necessary. PL 480 counterpart funds are also unlikely to have been collected and ready for distribution to entitled projects at the time DANAFCO would request these funds.

2.3.2 We are informed that special procedures are often applied to obtain funds in similar circumstances. These procedures are expected to take considerable time to complete, and we therefore suggest that they be initiated now to ensure availability of the required funds when they are needed.

2.4 **Internal controls in MOH stores procedures need to be strengthened, supervision and project administration improved compliance with reporting requirements enforced.**

2.4.1 We observed from our review of stores procedures that internal controls to ensure safeguarding of supplies from loss are inadequate in certain respects. In addition, family planning project administration, as it relates to supplies management, requires improvement. Compliance with established reporting procedures is weak and sufficient effort is not made to enforce such compliance.

2.4.2 We recommend therefore that before supplies to the public sector program commence detail reviews of existing inventory controls be carried out and additional measures introduced to safeguard supplies from loss. Project administration relating to management of supplies in the system should also be improved and reporting requirements enforced.

2.4.3 It may be useful to carry out an examination of the records of previous programs to determine losses that may have occurred and to identify the nature and causes of such losses. This would provide more definite indications of improvements required in procedures to reduce the incidence of such losses in the future.

2.5 **Reporting procedures and guidelines for both sectors should be determined, documented and agreed. Accounting basis for the RCS and its RTPF should also be defined in detail and agreed well in advance of commencement of project activities.**

Accountability for and reporting on program activities as well as supplies inventories and return to project funds, are key to the effective administration and success of the project. We however observed that sufficient attention has not been paid to these funtions at the time of our work. Evident of this is the absence of properly documented detailed guidelines and procedures for accounting for and reporting project activities.

2.5.2 We accordingly recommend that reporting procedures, schedules, and accounting basis for both sectors should be determined, documented and agreed with all parties well in advance of commencement of project activities.

2.6 **A greater awareness of the responsibilities of all three agencies should be developed. We would suggest that the functions involved in their specific roles should be itemized and written procedures indicating the methods they intend to employ be obtained by USAID, reviewed and agreed with them.**

2.6.1 We observed that not all agencies were sufficiently aware of the responsibilities or details of their roles in the project, and consequently have not properly considered ways and means of carrying out the functions assigned to them.

2.6.2 We consider that it is necessary that the project papers be reviewed and specific roles itemized in sufficient detail. Procedures should then be written up specifying methods to be employed, and where practicable assignment of responsibility to individuals. These should then be reviewed and agreed with USAID as provided for under the grant agreement.

2.7 **Proposed differentials between retail prices in the public sector program and the RCS should be eliminated or minimized to reduce the chances that commodities are diverted from one sector to the other for private profit.**

2.7.1 Project papers propose that retail prices for the contraceptives in the RCS program be higher than for the MOH public sector program. This is justified by the additional costs to be incurred for packaging and other activities and the greater availability and easier access to contraceptives available in shops.

2.7.2 We are of the opinion however that a significant differential in prices would create incentives for the diversion of commodities from the public sector program to commercial organizations. To ensure planned availability of supplies in both sectors, we recommend that any such differential should be minimal.

2.8 **The state of preparedness of DANAFCO Ltd. is inadequate. Detailed plans for work scheduling, supplies management and marketing strategies should be prepared, reviewed and agreed with USAID.**

2.8.1 We observed that preparations made up to the time of our visit by DANAFCO are less than adequate. Proper and documented evaluation of production, storage, and administrative capacities have not been carried out. The company has proceeded on the premise that existing excess capacity would be adequate and no clear perceptions of definite demands that the project may make on facilities have been established.

2.8.2 We recommend that detial evaluations be carried out, definite plans for work scheduling and supplies management be prepared, and marketing strategies decided. Time frames within which various production and other activities would be carried out should also be determined. These evaluations and plans should then be discussed and agreed with USAID officials.

2,9 **After all agencies have submitted their plans and detail schedules, these should be reviewed to ensure that various functions are properly coordinated, and the right emphasis is placed on all activities.**

2.9.1 We consider that coordination and overall review of the agencies programs would be necessary to ensure that the activities of various agencies are complementary and synchronised. We believe an overall review of the detailed programs of the implementing agencies would disclose that adjustments in emphasis on various functions and in strategies may be necessary.

2.9.2 As mentioned in other sections of our report, the training programs of the MOH may need to be revised to place greater emphasis on family planning activities during the next few years when supplies of contraceptives will be abundant. Wholesale depots planned to be established by DANAFCO in the initial period may also not be complementary to promotional and training activities.

SECTION III

3.0 ASSESSMENT OF THE CAPABILITIES OF THE MINISTRY OF HEALTH (MOH)

3.1 We determine from the project papers available to us and discussions with officials of the Ministry and USAID, that the role and associated functions of the Ministry of Health in the project may be summarised as follows:-

Training of Family Planning personnel - both clinical and administrative and providing competent clinical advice and dispensing of contraceptives to individuals;

Clearing and evacuation from the ports of commodities imported into Ghana by USAID for the public sector of the program and bulk storage and distribution to the various regions and participating hospitals and family planning clinics and commodities supplies management;

Accounting and reporting for commodities supplied, for the proceeds from the sale and distribution of contraceptives, for management of the accumulated proceeds in a 'Return to Project Fund; and maintaining auditable records of these activities.

Ensuring adequate provision of funds to cover specified costs of personnel, logistic support, and local training requirements of the public sector program.

3.2 These roles, our assessment of the Ministry's capabilities and our recommendations for improving efficiency and effectiveness are discussed in paragraphs 3.3 to 3.7.

3.3 MOH - FAMILY PLANNING PERSONNEL AND TRAINING PROGRAMS

3.3.1 The Ministry of Health currently provides family planning services to the general population through over 300 clinics located in all the 10 administrative regions in the country. These services are provided by trained public health nurses as part of the national Primary Health Care (PHC) program. In addition there are plans to train Traditional Birth Attendents (TBAs) to enable them to extend further the services provided at the various maternity, maternal and child health and family planning (MCH|FP) clinics.

3.3.2 The number of public health nurses currently in the system are far less than what the Ministry would consider enough to ensure optimum effectiveness of the PHC program. However, the existing service delivery network of the Ministry represents the largest in the country and is capable of reaching the greatest numbers of potential individual participants in the contraceptives project.

3.3.3 We have reviewed the planned Training Program of the MOH, designed generally to increase the effectiveness of Public Health Nurses, their technical knowledge and their numbers over the next few years. These appear satisfactory.

3.3.4 The program for 1986 is in its final stages of development and a seminar has been held to develop training materials. The training plan includes the development of a training task force for each region. Each task force will comprise a public health nurse, a health education officer and a communicable diseases officer. The task force will be trained in all areas associated with the management of MCH/FP Centre. The training will be comprehensive and not limited to family planning. Trainers for the training sessions will be drawn from the Unviersity of Ghana Medical School, the Ministry of Health, the Ghana Institute for Management and Public Administration and the private sector.

It will be the responsibility of the training task forces to go to the districts within their region and train the staff as well as assisting the district staff in training the clinic staff.

3.3.5 Officials of the MOH are very optimistic about the results which can be achieved by the training task force, but are worried that inadequate funding and logistics support could result in setbacks. We are also satisfied that the Ministry has the required training personnel and other facilities to successfully carry out its training programs, except for financial and logistics support problems discussed in paragraph 3.3.7.

3.3.6 MOH is aware of the need for expanding its training in family planning. It may be necessary therefore to increase the emphasis on this aspect of the current training plan to be consistent with the thrust of the contraceptives project.

3.3.7 In recent times certain planned training has not been carried out due to the non-availability of funds from the government to meet the incremental costs and expenses of all the Ministry's programs. For example, planned training for District Health Management Teams has not been carried out in the last eighteen months for this reason. This has been the case even though budgetary appropriations had been made and approved for these programs.

3.3.8 We consider, therefore, that the most likely impediment to the success of the Family Planning Training Program would be the inadequacy of available funds from government budgetary appropriations. This problem could be partly solved if the Ministry attaches sufficient priority and importance to those programs within its overall responsibility. This should mean that if cost-cutting becomes necessary during the fiscal period it should not be applied to a significant degree, to these programs. It is apparent that some additional financial support

for training may need to come from the RTPF. Consequently, a judicious procedure for the allocation of these funds needs to be instituted. A minimum level of reserve should always be maintained in the RTPF to be applied only where critical training programs encounter funding problems.

3.3.9 We consider that the majority of public health nurses involved in providing clinical advice to individuals and distributing contraceptives in the public health care system, have had adequate training to carry out these functions properly. However, we were informed that at the inception of the PHC and FP programs, personnel training for FP was specialized and not integrated with other health care training. Consequently, some of the public health nurses have not had sufficient training in Family Planning.

3.3.10 We also observed during our field visits to some FP clinics that services were restricted to the distribution of simpler methods such as the pill and condoms. Individuals preferring or requesting other methods, for example IUD's, are referred to other clinics where better trained personnel are available. The Ministry intends to provide re-training to such public health nurses in the system. This would involve their participation in family planning training courses to be held in the future. It is expected that over the life of this project the numbers of personnel unable to provide the full service to patients at clinics will become negligible.

3.3.11 Our summary recommendations in respect of the training roles of the Ministry of Health are, to <u>increase the emphasis of Family Planning training during the term of this project to ensure complementarity with the increased availability of contraceptives at affordable prices. We also recommend that all training program costs should be included in the Ministry of Health budgetary estimates to be funded by Government of Ghana in the normal way.</u> Recourse to RTPF funds for these purposes would then only be necessary where critical programs may be jeopardised due to funding problems.

3.4 MOH - STORAGE AND DISTRIBUTION FACILITIES AND STORES RECORDS

3.4.1 We visited the Central Medical Stores located in Tema and two Regional Medical Stores in Koforidua in the Eastern Region and Tamale in the Northern Region. During these visits we inspected the physical facilities and reviewed inventory records and procedures to assess the adequacy of records and documentation maintained, as well as key internal controls. The objective was to determine that the facilities and procedures in force were sufficient to provide safeguards against loss from defalcations, burglaries and damage due to improper storage and to provide the required audit trail. We also held discussions with the Chief Supplies Officer of the Ministry of Health, who holds administrative responsibilities for the various Medical Stores, staff involved in the distribution of contraceptives at the clinic level and reviewed the inventory and sales reporting system currently in operation.

3.4.2 The physical facilities at all the Medical Stores visited appeared to be adequate to cater for the bulk storage needs of commodities that may be brought into the country for this project. Certain of the warehouses at the Central Stores appeared to be congested at the time of our visit. It was explained that the congestion was the result of the recent evacuation of large quantities of drugs from the port which had not been cleared on a timely basis due the inability to finance the port handling charges. In addition, distribution to the regions has been slow because of the inadequacy of haulage vehicles. One warehouse has been set aside in Tema for the storage of supplies brought in by UNICEF and USAID and this was less than one-quarter full at the time of our visit.

3.4.3 Renovations have recently been made to the Central Stores at Tema, to generally improve its security.

This included raising the concrete fence and the peripheral walls of the warehouses to the roof. In addition armed security guards have been deployed. All but one of the warehouse cold storage facilities were functioning properly at the time of our visit. There were, however, reports of minor leaks in the roof in some of the warehouses which are yet to be repaired.

3.4.4 The regional store in the Northern Region is the older of the two visited. The stores have been in use for more than twenty years, although extensions have recently been made. The cold storage facilities were not working. The stores also have problems with infestation by rodents.

3.4.5 The facilities located at Koforidua, which serve the Eastern Region, are comparatively new. There were no problems mentioned in respect of the structures. The cold storage facilities there were not in good working condition.

3.4.6 We observed in Tamale that the stock of some contraceptives had been in the stores for upwards of three years. The condoms showed signs of deterioration. We were informed that this was largely due to the harsh climate and could have been prevented were it practicable to keep these in cold storage.

3.4.7 There are nine regional stores in the country, four of which were built before the sixties and have not undergone any substantial renovation. These are likely to be in similar condition as that in Tamale and the rest are expected to be in similar condition as that in Koforidua.

3.4.8 We consider that the Ministry of Health has adequate bulk storage facilities for commodities which may be imported for the project at the Central and Regional Medical Stores. However, storage under controlled climatic conditions would not generally be possible at these stores.

Consequently, to prevent loss through deterioration in prolonged storage at these facilities, only the supply requirements for relatively short periods, say not exceeding one year, should be imported at any one time. This would also reduce the actual storage space requirements for the project to manageable proportions.

3.4.9 A brief description of the inventory receipts and issue procedures in use at the Central and Regional Medical Stores is attached as Appendix I to this report. We consider that these provide an adequate trail for audit purposes. However, controls to ensure safeguards against loss are not adequate or operating satisfactorily and reporting procedures are not complied with on a regular and timely basis.

3.4.10 A key control over the operations of the Central and Regional Medical Stores would be procedures to ensure that issues at one level are not only acknowledged as received at the next level, but that these receipts have also all been properly recorded and taken on charge at the receiving stores. In the absence of such control procedures, supplies could be acknowledged as received, but not recorded in the books and diverted with little chance of subsequent detection.

3.4.11 A monitoring unit has been set up within the Ministry to review and reconcile monthly issue and receiving reports from the various stores. We noted, however, that these reports are not received regularly from all the various stores and this monitoring function is consequently ineffective. External audits are carried out largely by staff from respective regional offices of the Auditor-General and we are not aware that these are effectively coordinated.

3.4.12 We accordingly recommend that a separate inventory reporting system for the contraceptives project, for all stores where large quantities of the project's commodities would be stored, should be instituted. One of the control functions of the National Project Coordinator's office would then be to review and reconcile contraceptives issues and receipts reported and to follow up any discrepancies.

3.4.13 Clearing and evacuation from the ports of drugs, medical and other equipment imported by or for the Ministry of Health is carried out by the Ghana Supply Commission (GSC). In recent times, the GSC has been unable to clear drugs and commodities imported for various Government Ministries and agencies. We were informed that this was due to the failure of these government departments to obtain re-imbursement from the Central Government for the handling and clearing charges and expenses incurred on their behalf by the GSC. The GSC has, consequently, been unable to finance these charges from its own resources. GSC officials confirmed the indebtedness of the MOH to the Commission as at July 1985 at over ¢37 million.

3.4.14 We were also informed that the Ministry of Finance had provided a written assurance that arrangements will be made to subsequently settle the GSC's obligations to various state owned and private organizations involved in cargo handling and port operations. The ports and cargo handling authorities have therefore allowed goods to be evacuated from the ports without demanding immediate settlement of their charges. This was evident from our review of the goods receipts records at the Central Medical Stores in Tema. The time lag between the arrival of goods at the port and delivery to the stores had been reduced from six months in September to one month by the middle of October.

3.4.15 We are also informed that concurrence to the request to defer settlement of port and clearing charges is not as easily obtained from privately owned shipping and other organizations as with the state owned Ports Authority and Cargo Handling Corporation. Consequently imports incurring charges payable to private organizations such as container charges are likely to remain in the ports for longer periods.

3.4.16 Distribution of drugs and equipment from the Central Stores to Regional centres has been hampered in the past year because the MOH's bulk haulage fleet, and handling equipment have broken down. Currently, a fleet of medium sized vehicles, donated by the Government of Japan, normally assigned to the Regional Stores for the distribution of supplies from those stores to district hospitals and clinics, have been commandeered to assist in hauling supplies from the central Stores to the Regions.

3.4.17 Two forty tonne trucks, seven other haulage vehicles and two forklifts have been ordered for the use of the Central Medical Stores. These are expected to be delivered in December this year, and evacuation of supplies to the regions is expected to be much more efficiently out as from January 1986. This would also reduce considerably the pressure on storage facilities at Tema.

3.5 MOH - CONTRACEPTIVE SALES AND REPORTING PROCEDURES

3.5.1 The MOH has in operation a reporting system for its stocks of supplies, and sales proceeds for its current contraceptive distribution activities under previous contraceptives supplies programs. No revision to the current procedures have been planned. As far as we are aware the same system is intended to be used for the new project, although this system is not working effectively. A brief description of the current procedure employed, records kept, and forms used are attached as Appendix II to this report.

3.5.2 We consider that internal controls in the current system are not sufficient to ensure adequate safeguards from loss of commodity supplies or sales proceeds. Supervisory functions including supplies management are not effectively carried out and reporting procedures are not complied with.

3.5.3 The operations in themselves are not complicated. We are of the opinion therefore, that the required capabilities for effective administrative control and supplies management is not beyond the competence of the officials assigned.

3.5.4 The key controls in the distribution system now used by the MOH should be regular reconciliations of inventory movements between storage depots, reconciliation of reported sales and inventory balances at service outlets, and independent checks and physical stock verifications at all locations.

3.5.5 As discussed in paragraph 3.4.10 supplies can be easily diverted and such diversion concealed easily by omitting to record correct quantities transferred to a supply depot. Reconciliations of reported issues and recipts is therefore necessary to ensure that no diversions occur during transit between storage depots.

3.5.6 We reviewed sales reports from service outlets and noted that in each case the inventory quantities reported as carried forward from one reporting period to the next is always a derived balance. No stock differences are ever reported. Regular independent checks are necessary to ensure that the reported inventory balances and hence the reported sales are correct. In the absence of such checks, sales proceeds can be diverted and easily concealed by inflating closing supplies inventory balances for a given period.

3.5.7 Regular reports are not received from service outlets on a timely basis by district and regional coordinators. The national coordinating office does not receive regular reports from the regional coordinators either.

These reports in certain instances are in arrears of more than one year. We also observed that adequate effort is not being made at most levels to follow up and obtain reports not submitted when due.

3.5.8 Only about twenty percent of the expected proceeds from sales for the current program has been reported to the National Coordinator as received and paid into designated Government treasury accounts. There are indications, from our review of the records in the regions that some sales proceeds may have been paid to the treasury but not reported to the National Coordinator. The treasury is unable to confirm on a timely basis to the MOH the exact amounts actually deposited because it takes up to one year to receive and process accounts and reports from the district and regional treasuries.

3.5.9 All areas visited have inadequate supplies of certain contraceptive commodities, mainly foaming tablets and jellies and excessive stocks of others, especially condoms, some of which have been in storage for excessive periods and have actually deteriorated.

3.5.10 Coordinators have mentioned to us the various difficulties they encounter in effectively supervising their reporting and monitoring functions. These include lack of transportation facilities and the inadequacy of rates for travel allowances paid in the public service; non-availability of stationery supplies,forms and in some areas inaccessibility of some service outlets especially during the rainy season.

3.5.11 Proper monitoring of supplies usage and needs is not practicable unless reports are regularly received and reviewed.

In addition because service outlets are generally given fresh supplies on submission of returns and sales proceeds, it is not unlikely that those that have failed to report their activities for a long period may have run out of commodity supplies.

3.6 We wish to make the following suggestions which should improve reporting procedures and accountability within the MOH for the new project.

3.6.1 **An audit examination should be conducted of the records and sales receipts in the immediate future and before new commodities are supplied for distribution.**

This examination should involve supplies stock verification at all regional levels, and selected service outlets. Commodity receipts, sales reported, and stock balances should be reconciled and differences investigated. Damaged and expired products should be identified and subsequently certified and removed from the system.

Such an exercise would assist in identifying losses that may have occured, and apart from placing responsibility on individuals for such losses, increase the general awareness of the accountability requirements for the new project. The nature and causes of losses may also be identified, and proper measures can then be taken to reduce their incidence. In addition such an exercise would also provide reliable statistics of present commodities stocks at various locations and basis for better supplies management in the future, and assist in removing obsolete and expired products from the system.

3.6.2 **Greater emphasis should be placed on compliance with the reporting requirements at all levels and the general awareness of the importance of this function should be improved. Time frames for reporting for all levels should be set up and enforced.**

Regular reports are critical for efficient supplies management and control of sales proceeds. It appears to us that sufficient importance is not attached to the reporting requirements at various levels and this has contributed to the inadequacy in enforcing procedures and the poor performance in this area. All officials with reporting responsibilities should be made aware that under the project agreement signed by the government, there are convenants requiring that proper records be maintained for goods and services acquired under this grant and that such records are also required to be audited regularly; and continuing support from USAID may be dependent largely on how effectively project activities are reported and controlled. Reporting schedules, in terms of number of days after each month end, within which each operating level reports to a coordinating office at the next level, should be set up and these should be observed. A similar schedule should also be established for collating the various reports and distributing these to persons entitled to receive them, including USAID.

3.6.3 **Current reporting formats should be reviewed for adequacy and pertinence of information currently reported.**

Report formats now in use should be reviewed with the aim of modifying these, to ensure that all pertinent information is provided to enable proper assessment of the project's performance, and monitoring of its needs and sales proceeds.

3.6.4 **Memorandum records maintained by the various coordinators should be reviewed and standardised. Report summarisation procedures should also be introduced.**

The records maintained by the coordinators vary. We consider that these should be reviewed and standardised, to ensure that all coordinators have sufficient records to provide them with the information they need to exercise their administrative and control functions. In addition the process of report summarisation should be documented to improve the reliability of the statistics and figures derived. It may be useful to hold a training seminar for the purpose of enhancing coordinators abilities in this regard.

The preparation of a record keeping and reporting procedures manual for the guidance of coordinators should also be considered.

3.6.5 **The MOH should consider the use of remittance bank accounts at the Regional level for the purposes of deposit and transfer of sales proceeds to its headquarters.**

We are of the opinion that the commerical banks could provide a better service for the remittance of sales proceeds to MOH headquarters. The procedure would involve opening remittance accounts in all regions. Moneys paid into this account would be transferred directly to Accra under advice on standing orders. Amounts received in Accra could then be transferred to the Government treasury in Accra.

The advantage of this system would be that independent documentation and proof of receipts deposited at the regions will be available on a timely basis. Sales proceeds deposited, even if not reported by coordinators, would be known and be available to the MOH in its RTPF for other uses.

3.6.6 **The MOH should provide in each region at least one suitable vehicle for the exclusive use for MCH/FP activities.**

At every location, transportation difficulties were mentioned as the greatest problem facing the operations of Family Planning activities. Supervisory visits could not be paid to clinics by coordinators; nurses serving in distant locations from the regional headquarters were alleged to have to spend considerable sums of their own money on travel expenses to obtain supplies and submit reports; planned 'satellite' clinic activities could not be held.

We are informed that the UNFPA is to supply a number of vehicles to the Ministry for its family planning activities. These together with those to be supplied under the USAID project should be enough to permit the

assignment of one vehicle each to each region, for the exclusive use of MCH/FP personnel. The availability of these vehicles should significantly improve the effectiveness of the project.

3.6.7 We also wish to make the following suggestions for the consideration of project officials.

3.6.8 **We recommend that the planned differential between prices at which contraceptive commodities are sold in the RCS program and the public sector should minimal**

We noted during our work that it is planned to fix retail prices for contraceptives in the RCS program at a higher level than for the public sector program. This may create incentives for the diversion of products from one sector to the other.

This suggestion is made for the purpose of reducing the gains that could be made by diverting supplies from the public sector program to commercial retailers; and consequently the inducement for such improprieties.

3.6.9 **A proper scheme should be designed for the involvement of Traditional Birth Attendants in the distribution of contraceptives.**

Traditional Birth Attendants (TBAs) are likely to be independent distributors, and illiterate, and would be unable to comply with any reporting procedures used within the MOH. We would suggest that they should purchase their supplies and be allowed to sell these at a reasonable margin to cover their costs and compensate their efforts. This would also reduce the management controls that would otherwise be required to be exercised by the MOH on their activities. This suggestion may be considered when training and organisation for TBAs participation in the project is planned in future.

3.6.10 Although the MOH views their participation in the Contraceptives Supplies Project as a continuation of their regular Family Planning responsibilities, it is recommended that they itemize the anticipated incremental support cost of the project. This will reveal with greater accuracy the funding needs of the project and assist in the justification for special consideration as it relates to government disbursement.

3.7 MOH - PROPOSAL IN RESPECT OF THE USE OF RETURN TO PROJECT FUNDS (RTPF)

3.7.1 The MOH has proposed that funds generated from the sales of contraceptives be held in bank accounts at the regional level for disbursements to communities to support health development projects. This proposal, which is attached as Appendix III to this report also indicates procedures for requesting and approving disbursements from RTPF. The statement of work for our assignment indicates that the sellers of the contraceptives are to retain a portion of the funds they generate, and a small portion would be returned to MOH headquarters for funding training programs.

3.7.2 In general the MOH proposals appear reasonable to us, and are consonant with plans to decentralize the administration of government's activities in the country.

3.7.3 We are of the opinion, however, that first and foremost, the MOH should carry out its proposed training to strengthen accountability at the District and Regional levels and the reporting function within the Ministry as a whole. Only after the success of such training becomes evident in the regularity and timeliness of reporting on the proceeds of sales of contraceptives should the proposals for retaining and disbursing these funds at the Regional level be considered.

3.7.4 As discussed in other sections of this report, controls over sales proceeds and compliance with the reporting requirements under the current program appear weak. It would seem to us inappropriate to approve a scheme to disburse and report the use of such sales proceeds without evidence that improvements in the Ministry's internal controls and reporting functions have been made.

3.7.5 We accordingly suggest that until such improvements take place, all RTPF should be remitted to Accra, and disbursements should be processed through the government treasury. This will not unduly delay the availability of financial support to family planning training programs provided requests are attended to promptly.

3.7.6 Under the provisions of the Project Grant Agreement, funds generated from sales should be used to expand or maintain the family planning program. The suggested use of such funds for a variety of other projects and activities including PHC, MCH and Family Health may not be in strict compliance with the grant agreement.

3.7.7 It would be appropriate to allow distributors to retain a reasonable portion of the funds they generate from the sale of contraceptives, as compensation for their services. We understand however, that this scheme would be restricted only to health volunteers including TBA's who are not employees of the Ministry. To simplify reporting requirements and administration of such a scheme, we would suggest that such individuals purchase their supplies and be allowed to sell these at a reasonable margin above which contraceptives are obtainable directly from MOH service outlets.

3.8 MOH - BUDGETARY SUPPORT

3.8.1 The MOH obtains support for its regular recurrent expenditures from the Government of Ghana budgetary allocation. The MOH, prepares each year an estimate for the upcoming year for its recurrent and capital expenditure needs. Government of Ghana support for this project would fall under MOH recurrent expenditure.

3.8.2 The recurrent expenditure estimates are developed by reviewing existing budgets and adjusting these for price and rate changes. The incremental costs for special project expenditures like this USAID project can be included in the estimates in block amounts. The request for such inclusion in the estimates would normally originate from the relevant division, in this case MCH/FP. The utilization of existing staff facilities and equipment of the Ministry would not normally require special provision, as these would have been provided for under other categories in the estimates.

3.8.3 Where the budget approval process extends into the next year, Ministries and other Government of Ghana departments are granted authority to operate at the prior year's recurrent budget levels until the new budget is reviewed and approved.

3.8.4 We are also informed that prior to the approval of the annual budget, it is possible for expenditures to be made which have not been included in the prior year's budget, which is operated in the interim. These expenditures however, involve special allocation procedures which require justification to and approval by the MFEP.

3.8.5 The annual budget approval process often involves trimming of expenditure requests of various agencies. Consequently not all estimated requirements of an agency of government would necessarily be approved.

3.8.6 the MOH budget is an integral part of the financing demands made on the Government of Ghana. As a result, the financing of the MOH budget is contingent upon the overall financial condition of the Government of Ghana. In the third quarter of 1985 the Government of Ghana found it necessary to put a freeze on expenditure. Where funds are available from sources other than the Government's consolidated account, these funds can be used during such periods with special clearances.

3.8.7 The budget approval process often extends months into the respective fiscal year. The 1985 budget was not approved until September 1985. We observed from the status of preparation of the 1986 budget estimates, that these are likely to face similar delays before they are approved. We also observed that amounts approved for the MOH's recurrent expenditures for 1985 were not different from amounts requested in any material respect.

3.8.8 We therefore conclude that is is unlikely that the 1986 budget will be approved before expenditure is required by the MOH in support of this project, and special allocation procedures will need to be sought in the interim. The MOH can include the full amount of GOG budgetary support necessary in its recurrent expenditure estimates, and these would be approved if properly justified. The approval of the estimates however would not mean that the funds will necessarily be available on a timely basis to the Ministry as and when required.

3.8.9 We accordingly recommend that the MOH ensures that it includes in its 1986 budget submission, the additional funds as well as recurrent expenditure required for the project. Before the 1986 budget is approved the MOH should use the special allocations procedures for such expenditure and should initiate these in good time to ensure that these expenditures are approved and available on a timely basis.

4.0 DANAFCO LTD ASSESSMENT OF CAPABILITIES

4.1 DANAFCO Ltd is a wholesale distributor of a wide range of pharmaceutical products, medical supplies and cosmetics. The organization is part of a group of five companies DANAFCO Manufacturing Ltd; Pharmaplast Ltd, Dumex Ltd, and DANAFCO Farms Ltd, with which it shares to varying degree common ownership, physical facilities, and management. The management of the company believes that their operation represents the largest wholesale distributorship of pharmaceutical and medical supplies in Ghana.

4.2 DANAFCO Ltd is responsible for the development and, operation of a 'Retail Commercial Sales' program aimed at:

a) developing a largely self financing distribution network
b) developing an effective management supply system
c) training a cadre of retailers
d) increasing consumer awareness through product advertising, promotion and other marketing activities.

4.2.1 DANAFCO Ltd is expected to sub-contract some parts of its functions related to training and to advertising and promotion to Pharmahealth Centre and Lintas Ghana Ltd.

4.2.2 The specific functions of DANAFCO include:

a) evacuation from the ports and storage of contraceptive commodities imported for the RCS
b) Packaging and distribution to retail outlets
c) Supply management, including maintaining accessible wholesale depots in all regions of the country and shelf audits of retailers' supplies
d) Marketing and Promotional Planning with the assistance of the designated sub-contractor
e) Training and information of retailers with the assistance of a designated sub-contractor

g) Reporting product uptake and inventory levels; financial reporting including control of Return To Project Funds (RTPF).

4.3 We held discussions with various senior officials of DANAFCO Ltd and the two sub-contractors during our work. We discuss in paragraphs 4.4.1 to 4.8.9 our observations on their capabilities and our recommendations to ensure their effective participation in the RCS program.

4.4 CLEARING IMPORTS AND STORAGE

4.4.1 DANAFCO Ltd as part of its normal operations often imports various raw materials and finished goods. The volume of its imports have been small over the last few years due to the difficulties in obtaining adequate import licenses and foreign exchange facilities. However we are of the opinion that the company has in place procedures for clearing and evacuation of imports which are adequate to meet the needs of the project. Currently goods imports are normally cleared from the ports within three days of their arrival.

4.4.2 The company currently shares its premises in the industrial area in Accra with its associated companies. It also has under construction new facilities on the Nwawam Road. Officials of the company believe that they can find the required storage space within their raw materials and finished goods warehouse. Should these prove inadequate contraceptives supplies would be in storage at their uncompleted complex. The company's officials do not have a precise idea of the volume of commodities and supplies that may need to be stored or for what period of time such storage space may be used up by the project's requirements.

4.5 PACKAGING OF COMMODITIES

4.5.1 DANAFCO has equipment which is used to print two-colour labels for its own products and intends to use this to

print the packages for the contraceptives being supplied. This equipment prints one colour at a time. SOMARC is assisting DANAFCO in determining packaging design and unit volumes. At the end of this exercise the volume of work and packaging costs would be possible of accurate determination.

4.5.2 Packaging of DANAFCO's own products is currently done manually by a team of six people at a time. These six people sit at a stall with commodities on the side and the packages on the other. DANAFCO has estimated that they could package 3000 orals a day, 2500 foaming tablets a day, 2500 SSS condoms per day and 2500 plain condoms per day. If the project's needs require it, they will increse the number of packers to twelve. These estimates assume that the packers will only be working on contraceptives. No documentation was provided on the development of these estimates, and we are unable to verify them.

4.5.3 DANAFCO currently cannot determine the amount of time which will be required after supplies arrive to completely process the contraceptives and get them onto the market. DANAFCO has no information on the pattern of demand for contraceptives in the various regions and has not provided any data on the method to be used to determine initial stock levels or what their initial production levels will need to be to satisfy demand.

4.6 DISTRIBUTION, MARKETING AND SUPPLY MANAGEMENT

4.6.1 DANAFCO Ltd used to operate from five other wholesale depots located in the southern regions of the country. About five years ago, due to reduced actual volume of products available for sale through its depots, the company withdrew from three of these depots. Arrangements were agreed with the company's employees managing these depots to continue running these on their own as general agents.

At these locations products other than DANAFCO's are now carried on the shelves and activities include retailing. The only wholesale depots outside Accra currently operated directly by the company are those in Kumasi and Takoradi, the regional capitals of the Ashanti and Western Regions, respectively. Company officials have informed us that they intend to resume direct control of these three depots once the project agreement between DANAFCO and the MFEP is signed.

4.6.2 Over the last decade the economy of the country had deteriorated gradually, resulting in severe shortages. By 1980 it had become a seller's market for virtually all consumer goods. Consequently no marketing or protional efforts were required on the part of commercial houses to sell off their limited stocks of products. With the improvements in the economy and increased availability of goods, trading companies including DANAFCO are just beginning to realise the need to modify their marketing practices.

4.6.3 We are informed that the company intends to distribute contraceptive supplies through its two wholesale depots and the three agencies. The company also plans to employ five new sales representatives and deploy them such that each Region is served by one of the wholesale depots, agents, or representatives. A project manager has also been identified for recruitment and will have overall responsibility for project activities. Products are to be distributed through all eligible private sector outlets.

4.6.4 An exact marketing strategy to ensure that all eligible outlets are reached and detail programs for ensuring the continuous availability of all contraceptive

commodities in all regions has not been prepared and we are unable to commen on these.

4.7 ADVERTISING AND TRAINING

4.7.1 The advertising component of the project is being sub-contracted to Lintas Ghana Ltd. Lintas is one of the largest advertising agencies in Ghana and has operations in other West African countries. The financing and support for this component will be obtained initially from PL 480 proceeds through the MFEP and USAID (through SOMARC). DANAFCO may be required to finance advertising from its own funds later on in the project depending on sales performance.

4.7.2 Lintas is DANAFCO's regular advertising agency and they are satisfied with the services provided by them. Lintas prepared and implemented the first family planning advertising campaign in Ghana and they are, therefore, familiar with methods required. They do not have any existing advertising networks in the northern part of the country however. To satisfy the advertising requirements in the north, they plan to use the vehicle to be provided by DANAFCO to place the advertising materials.

Except for the fact that Lintas has no existing network in the Northern part of the country, we consider the staff and facilities to be satisfactory for the purposes of implementing the advertising component of the project.

4.7.4 The training component of the project is being sub-contracted to Pharmahealth Centre Limited. Pharmahealth Centre was established in 1981 by Mr. J. Pearce Biney It provides pharmaceutical consultancy, imports pharmaceutical chemicals and allied products and operates as a wholesaler of drugs to private clinics, pharmacies and chemists. It is basically a one man operation and our assessment of Pharmahealth is therefore restricted to the personal training capabilities of the Managing Director. The Managing Director of Pharmahealth,

4.7.5 Mr Pearce Biney has served as President of Ghana Pharmacy Board as well as the West Africa Pharmaceutical Association. He has conducted seminars and workshops in West Africa and India on various topics related to pharmaceuticals. In addition, he assisted in the development of policy for the World Health Organisation on medical products and worked for several years as Controller for pharmaceuticals for the United Africa Company (UAC).

4.7.6 Mr Biney is not a professional trainer and has not done any training of the nature required in this project, although he has had leading roles in various workshops and seminars. In order to carry out the training program, he plans to draw on staff from the Ministry of Health and the Pharmacy Board to assist him. The individuals identified have experience in pharmaceuticals and family planning, however it is not apparent that they all have training experience or that they will be available for the entire training program. The training approach for each market segment will need to be tailored to the existing knowledge level of the participants. Trainers who are not sensitive to these needs and may not be available when required might render the training program ineffective.

4.7.7 No detailed plans have been drawn up as to the exact schedule and curriculum for the training program. Training materials and facilities to be used have not been specified or identified. In addition, it could not be determined if a strategy has been developed to motivate the private sector distributors to participate in the training. Since training is a crucial element in the early stages of the RCS program it is imperative that this component be thoroughly planned as early as possible.

4.7.8 Financing and support for this component of the project will be obtained from PL 480 proceeds throught the MFEP and USAID (through SOMARC). DANAFCO will not be required to finance training from its own operating funds.

4.7.9 We recommend that detailed training schedules and a curriculum be developed along with a method for motivating the private sector distributors to participate in the training.

4.7.10 We also suggest that those conducting the training seminars should have professional training experience. In addition, a written commitment should be obtained from the individual trainers that they will be available for all the scheduled training sessions.

4.7.11 DANAFCO has never carried out a marketing campaign of the magnitude required for the RCS project for their own needs. The training and informational programs required for retailers are also functions that the company has not been involved with in the past. We infer from our discussions with officials of the company that is is intended generally to allow the sub-contractors to do all the detail planning and the execution of these programs. The company in our opinion would not have sufficient in house capabilities to effectively supervise the performance of the sub-contractors without external assistance.

4.7.12 USAID has accordingly provided at its cost, a team of experts from a United States based organization known as Social Marketing for Change (SOMARC) who are currently providing assistance to both DANAFCO and the sub-contractors. This exercise involves the review of the detail plans drawn up for advertising and promotional activities and the training of retailers. SOMARC is also carrying out surveys of the contraceptive market in the country, to determine the volume and product mix required.

4.8 INVENTORY CONTROLS AND FINANCIAL REPORTING

4.8.1 We reviewed DANAFCO's current inventory procedures and financial reporting function, including staffing of the accounts department.

4.8.2 We found that existing inventory procedures have required internal controls to ensure sufficient physical controls to safeguard supplies from loss during receipt, storage, processing and distribution activities.

4.8.3 We also reviewed inventory records and are satisfied that the level of documentation and record keeping at each stage is adequate to provide the required audit trail.

4.8.4 Financial accounting records were also reviewed. These also appeared to be satisfactory in relation to the current normal activities of the company. We consider however that additional records may need to be set up and bases of accounting for the RCS program designed and evaluated to determine that such bases will satisfy the terms and conditions of the proposed agreement with the MFEP.

4.8.5 In conclusion we are of the opinion that DANAFCO has the potential capabilities, especially with the expert assistance beign provided by SOMARC, to carry out its functions under the RCS program. However to ensure that actual program implementation does not become frustrated by unforeseen circumstances, we wish to make the following suggestions.

4.8.6 **Planning - In order to ensure that the company does not run into unforeseen problems during the implementation stage, proper and clearly defined plans should be developed for carrying out the functions assigned to the company.**

We consider that such planning effort should involve precise determination of the volume of contraceptives to be packaged and distributed and an evaluation of production and storage facilities as well as administrative efforts required. Such plans should also include setting up a time frame within which various activities have to be carried out to ensure that failures to properly coordinate critical functions do not adversely affect the smooth implementation of the project. Accounting and reporting bases and scheduling should be determined, reviewed by competent and independent persons to ensure that these meet with project's requirements. Preliminary estimates should be developed of the supplies needs for each region to ensure that storage facilities are adequate and distribution activities are also adequately manned.

4.8.7 **Current plans to operate distribution activities from six wholesale depots should be reviewed, and the company should plan to ensure adequate representation in all regions of the country from the commencement of the project.**

Current plans to operate initally from six wholesale depots may result in inadequate representation and therefore reduced availability of commodities in all areas of the country. The company should ensure that sales depots are within reasonable reach of all retailers from the commencement of the project. We consider that permanent representation in each region is necessary to ensure that the company's distributive and supply management roles be in concert with planned training and promotional activities.

4.8.8 **DANAFCO's responsibilities and other liabilities in the implementation of the project should be defined and agreed.**

Liability for insurable risks of the project's equipment available to DANAFCO and the sub-contractors, inventory losses from accidental damage and theft, and for credit

risk, should be determined and agreed between all parties in advance. This is to ensure that responsibility is firmly placed for such losses. Also related costs of such risk assumption would be determined and properly budgeted for.

5.0 MFEP - ASSESSMENT OF CAPABILITIES

5.1 The MFEP's role in the project is determined as including

a Overall administrative responsibility for the RCS of the Contraceptives Social Marketing program:- which includes contracting with, and monitoring and evaluation of DANAFCO's activities

b Ensuring timely availability of Government of Ghana counterpart funding

c Management and control of return to project funds (RTPF) from the RCS Program.

5.1.1 The grant agreement with USAID was negotiated and contracted on behalf of the Government of Ghana by the International and External Relations Division (IERD) of the MFEP. We are informed that under normal circumstances the administration and implementation of such projects is assigned to other divisions responsible for the related activity within the Ministry. In certain circumstances however, the IERD may perform the implementation roles involved with grant agreements.

5.1.2 The Planning Division of the MFEP has primary responsibility for Family Planning. We observed from our discussions with various officials of this division that they were not adequately involved or informed about the detailed roles required to be performed by the MFEP. We subsequently found indications that implementation roles for the project would be carried out by the IERD.

5.2 We therefore reviewed and discussed these roles with various shcedule officers in the IERD. There did not

appear to be clear or precise appreciation within the IERD of the functions to be carried out or a planned assignment of these functions to specific individuals.

5.2.1 We were informed that relevant schedule officers may seek the assistance and advice of appropriate Government agencies where project implementation of this nature involves expertise that is not available within the division. We observed however that at the time of our visits no arrangements had as yet been made to obtain such expert advice as far as this project is concerned.

5.2.2 We consider that individual schedule officers in the MFEP may not have sufficient knowledge of the market place, or adequate experience with the marketing of pharmaceutical products, to effectively supervise and control the activities of DANAFCO. We have accordingly made suggestions in this report for the assignment of specific responsibilities related to control and supervision roles to other agencies of government that may have more practical experience in these matters than the IERD.

5.2.3 We consider that the roles that can be effectively carried out by the IERD would be those related to

a Ensuring availability of counterpart funds on a timely basis for DANAFCO and budgetary appropriations for the Ministry of Health;

b Monitoring performance by reviewing activity and financial reports, submitted by DANAFCO. Such monitoring may include initiating independent audits of DANAFCO's records and receiving and reviewing reports of any other independent audits.

c Monitoring the amounts in the RTPF and exercising authority over the use and disbursements of funds generated by the RCS program, and obtaining the concurrence of USAID for these disbursements.

5.3 It would appear to us from information obtained during our discussions with various officials that no funds are at the moment available from PL 480 counterpart funds which may be used to support the pre-project implementation costs. A consignment of rice and cotton with estimated F.O.B. value of US$6m is expected to arrive in Ghana in November. The sales proceeds from this program however are unlikely to be available to Government for sometime. Those organizations selected to receive and distribute these PL 480 commodities have requested that payment be made after up to six months of actual delivery. If the distribution of contraceptives is to commence on schedule in April 1986, funds for promotional activities and training needs to be available and disbursed by January 1986.

5.3.1 It would appear that the Government of Ghana may need to make available funds from its own resources to be later re-imbursed from PL 480 counterpart funds. We consider that the MFEP is best placed to ensure that such advances are made on a timely basis, and should initiate procedures to secure these funds on a timely basis. This would involve the cooperation of other divisions of the MFEP with the IERD. The IERD is well placed to assist the MOH in securing budgetary appropriations for its incremental expenditure under the public sector program.

5.3.2 We are also satisfied that personnel of IERD have the required competence to review activity and financial reports submitted by DANAFCO. Where they consider that verification of any aspects of such reports are necessary the MFEP should initiate independent audits or request further clarification or analyses. Schedule officers have also had considerable experience in the allocation of various counterpart funds to deserving projects, and the administrative work involved in obtaining concurrence from donor agencies, and could satisfactorily perform these roles.

5.3.3 the MFEP itself does not maintain financial records of the nature that would be required to provide necessary information for a proper monitoring and evaluation of DANAFCO's activities or the proposed RTPF. All such records are maintained by the Comptroller and Accountant General's Department, and their procedures are evaluated and discussed in paragraphs 5.4.1 to 5.5.5

5.4 PROCEDURES RELATED TO THE RECEIPT AND USE OF COMMODITIES AND FUNDS GENERATED - PL 480 PROGRAM

5.4.1 Prior to receipt of PL 480 commodities, the IERD determines in association with other agencies of government the method of distribution to be used for each consignment. Food items are distributed through state owned trading organizations such as the Ghana National Trading Corporation (GNTC), the Ghana National Procurement Agency (GNPA), or the Food Distribution Corporation. Raw materials such as cotton are distributed direct to industry associations, and quantities to be received by each company are decided in advance of receipt of goods. In either instance, one organization is selected as the agent of the government for the purpose of distributing the commodities and collecting the sales proceeds.

5.4.2 Prices at which commodities will be sold are agreed with the Prices and Incomes Board. Proportions of retail prices to be retained by the distributing agency to cover their clearing and other distribution costs are also agreed, and net proceeds due to government is determined.

5.4.3 The Special Projects Division of the Comptroller and Accountant General's Department maintains the financial records related to receipts and disbursements of PL 480 generated funds. Correspondence related to each consignment of PL 480 commodities is maintained on a separate file. Memorandum records are kept of receivables, receipts and disbursements. Receipts and payments transactions are also processed through the department's data processing facilities.

5.4.4 The Special Projects Division assumes the responsibility for following up and collecting proceeds of sales of PL 480 commodities from the appointed distributor or government agent for each consignment. All sales proceeds are deposited in special trust fund accounts maintained with the Central Bank. IERD is informed, on request, of collections received and the balance of the fund.

5.4.5 Requests for assistance from PL 480 funds are submitted to the IERD, by entitled United States Government funded projects in the country. These requests are summarised and analysed. Based on the evaluation of the progress of a project, priorities attached to the sector within which a project falls, or IERD's perception of the needs of each project, funds available are allocated. Projects are not always allocated the full amount of funds requested.

5.4.6 After the IERD determines the allocation of funds available, the written concurrence of the USAID mission is sought and obtained. The Accountant General's Department is accordingly informed of the approved allocations and the necessary disbursement vouchers are raised and approved and checks issued in favour of the various projects. We are informed that once allocations are approved, disbursement can be completed in as little as two days.

5.4.7 After the funds realised from a program have been fully disbursed, the Accountant General's Department invite an audit which is carried out by the Auditors General's Department. Statements of receipts and disbursements of PL 480 funds prepared by the Special Project Division are veted and certified. These statements are then distributed in compliance with the PL 480 agreement.

5.4.8 To ensure that receipts and disbursements of PL 480 funds are reflected in the Government's financial statements, receipts are first transferred to the consolidated fund and the disbursements charged against that fund. We have also confirmed that budgetary

appropriations would normally be required for such expenditure.

5.4.9 The Special Projects Division, and other personnel of the IERD have informed us that due to certain internal control considerations, it is preferable to ensure that all proceeds from the sales of a PL 480 consignment are received prior to the disbursement of any portion of these funds. In addition, schedule officers of the IERD do not think that it is practicable to block portions of any such funds for piecemeal disbursement over extended periods in support of particular projects.

5.4.10 We have also been informed by the Accountant General's Department that in previous PL 480 programs a portion of the proceeds in excess of the local currency equivalent of the external loan involved, was paid into the special project fund and applied as counterpart funds. It has recently been decided, however, that amounts to be paid into the counterpart fund accounts will be restricted to the exact local currency value of the external loan funding applied to each consignment. Any excess realized will be deposited directly into the consolidated fund.

5.4.11 We are satisfied, based on our review of the procedures adopted and relevant terms of the 1985 PL 480 agreement, that the operating policies briefly described above would comply with fiscal management and audit requirements of the agreement between the government and USAID.

RECOMMENDATIONS RELATED TO MFEP CAPABILITIES

5.5 We wish to make the following recommendations in relation to activities to be carried out by the Ministry of Finance and Economic Planning.

5.5.1 **Procedures should be initiated now to secure advances from the government to support the pre-launch promotional and incremental organizational costs of DANAFCO.**

It appears that the Comptroller and Accountant General's Department would not have cllected the sales proceeds from the 1985 PL 480 program at the time DANAFCO will request funds for its promotional and organizational activities. We accordingly suggest that efforts should be made now to secure funds from the government's own resources to be repaid from PL 480 counterpart funds. We consider that due to the current restraints on public sector expenditure, the approval process may take some time. Consequently, initiatives should be made immediately to ensure that the funds are available on request to DANAFCO on a timely basis.

5.5.2 **The full amount of DANAFCO's annual funding requirements should be obtained once 1985 PL 480 proceeds are available for disbursement.**

PL 480 counterpart funds are generally disbursed in full to deserving projects once all proceeds are collected. It would not be practicable to disburse funds on a piecemeal basis over an extended period of time as and when required. We suggest that estimates of DANAFCO's funding needs should be finalized and the full amount, less any sums that may have been advanced from government's other resources, obtained once PL 480 proceeds are available for disbursement.

5.5.3 **The MFEP should obtain the assistance of competent persons to develop a system for the use and distribution of return to project funds. Record keeping and accounting for these funds within the public service should be assigned to the Comptroller and Accountant General's Department.**

One of the pre-conditions to be satisfied before disbursements are made under the grant agreement is the development of a system for accounting for and distributing return to project funds. Such a system must be approved by USAID. We accordingly suggest that in order to perform these

functions efficiently, the MFEP should obtain the assistance of competent persons. Since no financial accounts are maintained by the Ministry, we suggest that the related accounting duties should be assigned to the Comptroller and Accountant General's Department.

5.5.4 **The MFEP should seek assistance from competent persons in setting up accounting reporting guidelines for DANAFCO and in reviewing DANAFCO estimates and funding requests. The Ministry should also set up, for its own use, proper procedures for effectively monitoring the RCS program activities.**

We are uncertain that the IERD has personnel with sufficient expertise to set up adequate accounting and reporting guidelines for DANAFCO, or effectively review their expenditure estimates and funding requests. The Ministry should therefore seek expert assistance from other agencies of government who may have greater familiarity with and experience in these matters. The division responsibile for the supervision of the RCS program should also determine a schedule of tasks to be regularly performed to achieve effective monitoring.

5.5.5 **The MFEP should as part of its overall administrative responsibility assist in securing budgetary appropriation for all planned expenditure for both private and public sector programs.**

One of the most likely impediments to project implementation is the non-availability on a timely bais of government counterpart funding. This could be due partly to restraints being currently imposed on public sector expenditure. We consider that as part of its responsibilities the MFEP should coordinate efforts to ensure that adequate priority is attached to the project and appropriations are made and approved for both public and private sector programs.

APPENDIX I

MOH - MEDICAL STORES
BRIEF DESCRIPTION OF RECEIPT AND ISSUE PROCEDURES

Central Medical Stores

Documentation related to goods on order from external or local supplies is maintained on coded 'indent' files.

RECEIPT

Goods are inspected as to quality and description against waybills and 'indent' files on receipt and signed for on delivery to the Central Stores. Receipt vouchers are raised and numbered and distributed to warehouse, stores ledger and Supplies Division of the Ministry of Health. A copy is filed on the 'indent' file and a copy is filed in numerical order in the receiving bay. The receipt is registered in a log book maintained in the receiving bay. Where discrepancies are noted between receipt and order quantities, the discrepancy is noted and waybills are forwarded to a shipping department for the initiation of claims.

Goods received are transferred to one of eight warehouses within the Central Stores complex. The storekeeper in-charge of a warehouse records the receipts on coded tally cards. Receipts are also recorded in an independently maintained stock ledger, with codes identical to those of tally cards kept by the warehouse keepers.

ISSUES

Goods are issued to Regional Stores and to four large hospitals from the Central Medical Stores normally on the authority of duly approved stores requisitions. In recent times, due to the insufficient supply of drugs and equipment in the public system, receipts are centrally allocated to the regions on the basis of demographic and other factors.

On receipt of an approved requisition, or an allocation list, the warehouse keeper raises four copies of a prenumbered issue voucher. Two copies accompany the consignment to its destination, one copy is sent to stock ledger keepers and used to update the ledger and one copy is retained and filed in the warehouse. Tally cards are appropriately updated.

One of the two copies of the issue voucher accompanying a dispatch is initialled at the receiving store and returned to the issuing store to evidence delivery.

Warehouse keepers carry out physical counts of inventory in their custody as often as they wish and compare these to the tally card balances, review and agree to movements between various stores for each month, and inventigate discrepancies noted on a timely basis.

INVENTORY REPORTS

The following reports are issued to the Ministry of Health from Central Stores monthly:-

1. List of goods cleared from the ports

2. List of local puchases (Newly arrived stocks)

3. List of issues to the various Regional Stores and designated hospitals

4. Inventory quantities on hand - (this report was started a few months ago and does not currently cover all the warehouses).

*(All the above reports are prepared for the Supplies Officer in charge of the central Stores by the warehouse keepers essentially from their tally cards and issue and receipt vouchers).

Stores personnel have indicated to us that special monthly reports, if requested, are issued regularly for commodities and equipment in their custody for special projects of this nature. Accordingly, they do not envisage any significant problems.

REGIONAL MEDICAL STORES

The records and procedures used at the Regional Medical Stores are basically the same as those employed at the Central Stores. The major differences are as follows:

At the Regional Stores visited, professionally qualified pharmacists had direct custody of stocks, with the assistance of stores assistants. Supplies officers had administrative responsibilities only.

Receipts

Receipts at these stores are from the Central Stores - and are evidenced on stock issue vouchers raised from the Central Stores. On receipt of goods a stores receipt voucher is raised and referenced to the Central Stores Issue voucher.

Issues

Issues from Regional Stores are to district hospitals and clinics in the region, and are based on requisitions or allocation lists approved at the Regional Offices of the Ministry of Health.

Physical Counts and Audits

Physical counts are carried out at the discretion of in-charge pharmacists. External audit checks are carried out regularly twice a year.

Inventory Reports

Inventory reports prepared differ from those issued by the Central Stores in terms of nature and regularity. The Regional Stores at Tamale issues monthly reports of goods receipts and issues. The Eastern Regional Stores issues quarterly a comprehensive report on inventory quantities on hand at the end of each quarter as compared with the same period for the prior year, rate of usage and expiry date of each item where applicable.

It would appear that various reporting forms and formats are introduced from time to time and no individual store can or does submit all the reports that are in use.

APPENDIX II

MOH - ORGANIZATION, AND PROCEDURES FOR CONTRACEPTIVES SALES

A brief description of the current organization procedures employed and records kept by the Ministry of Health in respect of contraceptives sales is as follows:

A national coordinating function operates from the Ministry's headquarters in Accra. The National Coordinator is a Principal Nursing Officer (PNO). Regional Coordinating Officers, normally also PNOs who have responsibility for the distribution, supplies management and reporting functions for each administrative region, who report directly to the National Coordiantor. In some regions District Coordinators exist to supervise the activities and reporting functions of clinics within each district. In other regions all clinics which are the actual service outlets report directly to the Regional Coordinators.

At the clinic level daily log sheets are used to record activities relating to contraceptives distributed. A card is also kept to record the supplies issued to individuals participating in the program. A standard form is used for reporting the summary of monthly activity at each clinic level. Statistics provided in the clinics' or districts' reports are added up and report on the same standard form to the Coordinator at the next higher level. Copies of these various forms are attached as appendices to this report. The coordinators check that amounts returned agree with the sales value of commodities sold.

At the time a report is submitted to a district or regional coordinator the proceeds due from the sales reported to each district or regional coordinator is collected. New issues of supplies are normally made to the clinics/districts at the time they submit their reports.

The Regional Coordinators pay proceeds collected each month into a designated account with a commercial bank, present the deposit slips to the Government Treasury Department in the Region, and obtain a treasury receipt which is coded to ensure that receipts are eventually accounted for in the Governnment's accounts as receipts from contraceptives sales. Regional Coordinators submit quarterly reports to the National Coordinator and attach photostat copies of the relevant treasury receipt to evidence payment of sales proceeds into Government chest.

At Regional level various memorandum records for stocks and slaes receipts and deposits are maintained by the coordinators. The variety and detail of these depend largely on the coordinators' own perceptions of their record keeping and informational needs and therefore are not standardised.

At one of the regional offices visited by us, the coordinator had sought the assistance of the Controller and Accountant General's Department in setting up her sales collections and cash deposits memorandum records. These appeared on our review to be adequate. However, no proper memorandum records for the supplies inventory were maintained. At the other regional office we visited a memorandum log book was maintained which did not only provide an adequate record of commodity issues to the various clinics, but also a record of the inventory of contraceptives supplies held at the Regional Medical Stores.

DAILY LOG

Month of.....19.....

CLINIC NAME	CLINIC LOCATION	DISTRICT	REGION

NO. OF CONTRACEPTIVES DISPENSED TO USERS

DATE	NO.	Acceptor		Orals		Condoms		Vaginal Methods		I.U.D.		Injec-tion	Other
		New	Old	Nor-mal Dose	Low Dose	Col-oured	Plain	Tab-lets	Cream Jelly Foam	D	C		

M.O.H – FAMILY PLANNING

CLIENT RECORD CARD

Name ..... Date Card Initiated .....

Address ..... New Acceptor Yes No

Current Method .....

Date of Next Visit

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
19..... . .												
19..... . .												
19..... . .												

CLINICAL NOTES

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MONTHLY/ QUARTERLY REPORT

CLINIC NAME	CLINIC LOCATION	DISTRICT	REGION	TYPE OF REPORT
				Monthly.....19.... Quarterly..... .....19.... Clinic..... District..... Region.....

SUPPLY STATUS	TOTAL	Orals		Condoms		Vaginal Methods		I.U.D.		Injection	Other (Specify)
		Normal Dose	Low Dose	Coloured	Plain	Tablets	Cream	D	C		
I. USERS SERVED New Acceptors											
Continuing											
Total											
II. Contraceptives on Hand Beginning of Period											
III. Contraceptives Received											
IV. Contraceptives Dispensed/Is during Period											
VV. Balance on Hand End of Period											

DISTRICT/REGIONAL No. of Clinic with Family Planning.....
USE ONLY: No. of Clinic Reporting .....

Signature.....
Title.....
Date:.....

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MOH - PROPOSAL IN RESPECT OF THE USE OF RETURN TO PROJECT FUNDS (RTPF)

DRAFT DRAFT DRAFT DRAFT

RE: MOH PUBLIC SECTOR FAMILY PLANNING PROGRAM

1. Funds generated at the local level(villages,towns,etc.) will flow upward and be kept on deposit in a MOH approved bank at the regional level.

2. Requests for the use of funds generated by the sale of USAID supplied contraceptives at the local level will be made in the following manner:

   -The Local Health Committee would meet with a District Official from the (MOH) District Health Management Team on all matters of local project initiatives.

   -The District Health Management Team transmits the request with a recommendation upward to the Regional Director of Health Services(MOH).

   -The final determination is made at the regional level and the decision sent down to the District Health Management Team.

3. In all cases local communities requesting funds to support local initiatives will be encouraged to make a further contribution in cash or in kind(local labor for example) in order to facilitate the activity.

4. In order to expedite this local initiative effort and to demonstrate the concern and support of the Ministry of Health; the Director of Medical Services will send an official order to the Districts and Regions indicating the following:

   -Once the District Health Managenent Team receives a request from a local community it must act to forward the request with an appropriate recommendation to the Regional level within a maximum of two work weeks.

   -The Regional Director of Health Services must inform the District of its determination via an official communication within a maximum of three work weeks.

   -The District Health Management Team must then inform the Local Health Committee within a maximum of one work week.

5. Funds to support local initiatives as shown above will be made available from the account at the Regional level via an official MOH voucher with appropriate documentation. The withdrawel of funds will require the signitures of the:

   -Regional Director of Health Services
   -Regional Public Health Nurse

6. Funds generated by the sale of contraceptives supplied to the MOH by USAID may be used for a variety of local projects and activities consonant with the overall objectives of the project as characterized in the GOG/USAID agreement to include:

   -~~Primary Health Care~~
   -~~Maternal and Child Health~~
   -Family Planning
   -~~Family Health~~

7. In order to upgrade and strengthen the reporting function within the MOH particularly at the District and Regional levels a short term training activity will be undertaken. The objectives of the training will be:

   -To strengthen accountability at the District/Regional levels
   -To increase the competency of MOH personnel at all levels to comply with USAID reporting requirements.
   To strengthen the capacity of the MOH particularly in Accra to manage the data flow in a timely and effective manner for purposes of reporting compliance,internal planning and more effective management of resources.

Best Available Document

7. (cont'd.)

It is anticipated that this training will be carried out in Accra over a period not to exceed three working days.

Participants should include a senior responsible staff person from each of the 10 MOH Regional Health Offices, plus appropriate persons from the headquarters establishment in Accra. It will be the responsibility of the Regional Health Offices to provide the appropraie training for all of the District Health Management offices.

The training should be carried out with the assistance of TDY personnel including a representative from CDC and at least one person familiar with the program and program implomuntation issues. This latter person could be provided by either the Mission or a centrally funded activity such as The Futures Group.

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ARTICLE III - STATEMENT OF WORK

A. A condition precedent of the Ghana Contraceptive Supplies Project requires a detailed assessment of the method for implementing and financing the project, including the assessment of the various methods of implementation and financing in Ghana overall and the level of efficiency of the implementing organizations. As the project consists of three principal parties - the Ministry of Finance and Economic Planning, the Ministry of Health and the commercial firm DANAFCO, each of which has a slightly different role in the project, the assessment will be slightly different in each case. The following are the tasks which the selected chartered accounting firm will responsible for completing on each of these parties:

1. **Ministry of Finance and Economic Planning (MFEP)**

(a) Review and assessment of operating policies related to the receipt and us of U.S. funds, commodities and equipment in order to determine the ability of MFEP to comply with USAID fiscal management and audit requirements.

(b) Review and assessment of MFEP operational procedures in order establish that the necessary mechanisms are in place to obtain the cedis required from sale of US PL 480 and make this currency available on a timely basis to the GOG approved private sector family planning program.

(c) Review and assessment of MFEP management procedures including record keeping to establish that proper documentation will be maintained of all US funds, commodities and equipment provided to the MFEP directly or to an organization or agency designated by the MFEP.

(d) An assessment of personnel concerned with operational procedures including record keeping in order to evaluate MFEP accountability and anticipated level of efficiency in implementing the program.

2. Ministry of Health (MOH)

(a) Review and assessment of operating policies related to the receipt of U.S. funds, commodities and equipment in order to determine the ability of the Ministry of Health to comply with USAID management and audit requirements.

(b) Review and assessment of Ministry of Health operational procedures in order to evaluate the potential of the Ministry to carry out the program. Special attention should be given to the MOH logistical support in order to assess the Ministry's effectiveness in providing necessary transport, storage, distribution and documentation of contraceptive commodities.

(c) Review and assessment of MOH financial reporting system so as to ensure that receipts from sale of U.S. furnished commodities are properly accounted for and that records will comply with USAID fiscal management and audit requirements.

(d) Conduct an assessment of MOH personnel concerned with program operations and record keeping in order to establish that MOH has the necessary capability to implement the program efficiently and with required accountability.

(e) Review and assess MOH budget and related materials to ascertain GOG continued support for MOH personnel, facilities, equipment, etc. necessary to the orderly implementation of the project and consonant with the stated GOG local contribution agreed with USAID.

3. DANAFCO

(a) Review and assessment of operating policies related to the receipt, documentation and use of funds, equipment and commodities supplied by USAID directly or indirectly by the GOG, in order to determine the ability of DANAFCO to comply with USAID fiscal management and audit requirements.

(b) Review and assessment of DANAFCO operational procedures in order to evaluate its potential to carry out the program effectively. Special attention should be given to the DANAFCO logistical support system in order to assess effectiveness in providing necessary transport, storage, distribution and documentation of contraceptive commodities.

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(c) Review and assessment of DANAFCO financial reporting system including forms and procedures so as to ensure that receipts from the sale of U.S. provided contraceptive commodities are properly accounted for and that records will comply with USAID fiscal management and audit requirements.

(d) An assessment of DANAFCO personnel concerned with program operations and record keeping in order to establish that DANAFCO has the necessary capability to implement the program efficiently and with the required accountability.

For all three parties the assessment should include suggested solutions to the problems observed and the means by which these solutions can be achieved (e.g., a training program for accountants, or bookkeepers, streamlining document processing, suggested methods of checks and balances for transfer to funds from MFEP to DANAFCO, and reporting of funds use from DANAFCO to MFEP, establishing bank account for DANAFCO and MOH for return-to-project funds, inventory system for contraceptive sales, etc.)

With respect to the use of return-to-project funds the MOH has proposed that (1) a portion of the funds be retained by the sellers of the contraceptives (2) the bulk of the funds be held at the regional offices for disbursement to communities for health development projects and (3) a small portion be returned to Accra for use in training. Before this proposed scheme can be approved, however, it will be necessary to assess the capabilities of the regional offices to handle, disburse and report the use of the return-to-project funds. For this reason the assessment of the MOH will also likely include an assessment of the above capabilities of the regional offices as well as the headquarters.

B. The Contractor will review and assess (1) operating policies, (2) operating procedures, (3) management procedures,

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(4) personnel systems, and (5) financial reporting systems of the MFEP, MOH and danafco.

ARTICLE IV - REPORTS

A final report to USAID/GHANA and WAAC/REDSO/WCA on the organizations' capabilities to implement the Ghana Contraceptives Supplies Project (641-0109) and the suggested remedies to any observed problems is required.

Detailed reporting instructions will be provided to the Contractor by WAAC/REDSO/WCA prior to the field trip to Ghana. The team will provide a draft report of its findings to the USAID/GHANA Population Officer and will, as part of the reporting requirements, provide a debriefing session to USAID/GHANA during the TDY.

Eleven (11) copies of final report will be sent within (2) weeks of completion of the contract to USAID/GHANA Population Officer who will distribute them. Two (2) copies of the final report will be submitted to WAAC/REDSO/WCA. The Contractor will provide a debriefing to WAAC/REDSO/WCA at the time of submission of the final report.

ARTICLE V - RELATIONSHIPS AND RESPONSIBILITIES

Contractor's personnel will be supervised by the contractor. However, WAAC officials will give the contract team instructions on AID requirements and the format for the final report.

The contract team will maintain close contact with the USAID/Ghana Population Officer, including providing the Population Officer with periodic briefings on the team's findings. The Population Officer will provide the contract team with an initial briefing, and with instructions or direction as required.

ARTICLE VI - PERIOD OF PERFORMANCE

The effective date of this work order is September 27 1985. The estimated completion date is November 1, 1985.