An In-depth Evaluation of Procurement Management Capacity of the Directorate General of Family Planning, Ministry of Health and Family Welfare, Bangladesh

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ACRONYMS AND ABBREVIATIONS

BDHS	Bangladesh Demographic Health Survey
BER	Bid Evaluation Report
CPTU	Central Procurement Technical Unit
DGFP	Directorate General of Family Planning
e-GP	e-Government procurement [initiative]
GoB	Government of Bangladesh
HNPSP	Health, Nutrition, and Population Sector Programme
MoHFW	Ministry of Health and Family Welfare
PPPAP	Public Procurement Processing and Approval Procedures
UNFPA	United Nations Population Fund
USAID	U. S. Agency for International Development

EXECUTIVE SUMMARY

A review of reports of previous studies and other documentation relating to the supply chain management system of the Directorate General of Family Planning (DGFP), reveal a number of problems that impact negatively on reproductive health commodity security in Bangladesh. At the request of USAID/Bangladesh, SPS engaged a consultant to conduct an analysis of these problems and make recommendations for strengthening the procurement management systems of DGFP. The consultant visited Bangladesh November 9-23, 2009, to review procurement documentation of DGFP, conduct a first-hand study of the procurement cycle at the DGFP and meet key persons associated with the procurement cycle. Discussions were also held with several stakeholders including senior officials of U. S. Agency for International Development (USAID), United Nations Population Fund (UNFPA), World Bank Bangladesh, and the USAID | DELIVER project.

A key finding of this consultancy is that most stock-outs experienced are attributable to various components of the overall supply cycle being managed in isolation. Activities in individual components of the cycle are carried out without giving adequate consideration to the impact on other components, and not from a supply chain management perspective as illustrated in Figure 1 below, where every preceding activity should have been considered from the perspective of the impact on succeeding activities in the chain.

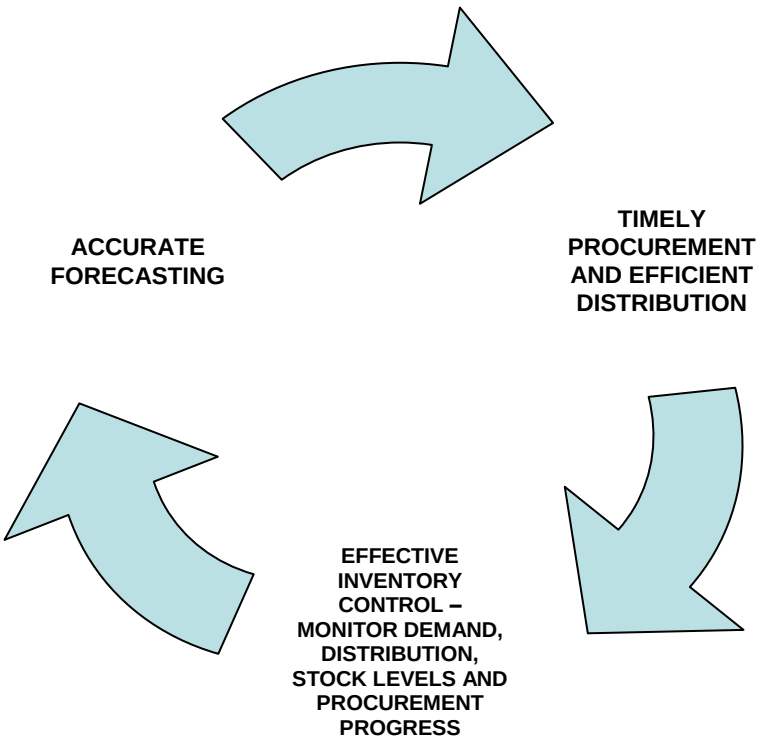

Figure 1. Supply Chain Management Cycle

This practice has resulted in unexpected stock-outs arising primarily from—

- Forecasting deficiencies
- Lack of effective inventory management
- Shortcomings in the procurement process
- Ineffective management reports that do not provide adequate advance warning on likely stock-outs

A number of the previous review reports concluded that procurement delays were a major course of stock out, however, it must also be noted that stock-outs arising from procurement delays are only one aspect of the problem. Even if there were no delays, shortcomings in the forecasting process, or the inventory control management process could lead to stock-outs. For example, since the quantities forecast did not reflect true demand, but only what could be procured due to budget constraints, then even if there had been no delays with procurement and supplies had arrived on time, there could still be stock-outs if stock issued to meet actual demand is higher than previously estimated.

When inventory control management, i.e., management of not only products in stock, but monitoring quantity on order and quantity approved for ordering but yet to be ordered is done effectively at the central level, and forecasting is done accurately, then senior management may be able to take corrective action well in advance to avoid possible stock-outs. The importance of management reports that provide this type of information cannot be overstated as it is these reports that provide alerts to senior management to take corrective action in a timely manner.

The linkages illustrated in Figure 1 highlight the different processes in the overall supply cycle that should not be considered as separate component, but looked at as one supply cycle. Managing the entire cycle, by paying attention to how each individual component impacts the others, is vital to avoiding stock-outs and ensuring reproductive health commodity security.

A recurring and overriding theme in many, if not all, previous studies, is the high staff turnover at DGFP resulting in the loss of corporate knowledge and a negative impact on capacity building. This has been true mostly with senior management although this report shows that this is also the case with middle and lower management at DGFP. The risks associated with this may be addressed by continuous training of staff and providing orientations for all new staff. As suggested by the Director General, DGFP, creating a pool of trained staff within DGFP should be considered as a way of mitigating the risks associated with staff turnover. Strategies to orient new staff quickly and effectively are required.

This report recommends the development of comprehensive standard operating procedures and job aids for each major activity within the procurement cycle. These aids can be used as the basis for training existing and new staff.

This report provides recommendations on what should be expected of the various components of the procurement management function and how these actually work. Specific recommendations ranging from short term to long term are made along with expected outcomes and suggested timelines.

The report also provides a detailed action plan (Annex 7) indicating deliverables and target completion dates for all recommendations.

BACKGROUND

USAID/Bangladesh requested the Strengthening Pharmaceutical Systems (SPS) program of Management Sciences for Health to provide technical support to the Directorate General of Family Planning (DGFP) of the Ministry of Health and Family Welfare (MoHFW) of Bangladesh for the strengthening of the supply chain management and procurement systems for contraceptives and other essential reproductive health commodities.

Under the Health, Nutrition, and Population Sector Programme (HNPSP), the DGFP is responsible for preparing the procurement plan, writing bidding documents, conducting bid evaluations, tracking procurement and, ultimately, ensuring the appropriate storage and timely distribution of procured products to service delivery points throughout the country.

Over the years, the DGFP has received technical support and training on procurement from other agencies including DELIVER Project and the Family Planning Association of Bangladesh (FPAB), however, problems in the procurement process still persist, and unexpected stock-outs of contraceptives and other key commodities are still regular occurrences. While many documents describing the problems plaguing the system have been written, few describe the root causes of these problems. Furthermore, it is not clear why the recommendations provided in many of these documents have not been implemented.

The objective of this consultancy was to conduct an analysis of the current procurement management system, a review of previous work and propose viable recommendations for improvement.

Key Tasks

Document Review

The consultant carried out an extensive review of several key documents related to reproductive health commodity security in Bangladesh and also the functioning of the DGFP, Central Medicines Supply Depot (under the Directorate General of Health Services), and MoHFW. The list of documents reviewed is provided in Annex 1.

In-Country Assessment

The consultant carried out several informant interviews in Dhaka, collected relevant data and undertook visits to stakeholders. A list of persons and organizations met is provided in Annex 2. Several discussions were held with USAID/Bangladesh key personnel, including a debriefing meeting with Khadijat Mojidi, Director Office of Population, Health and Nutrition, Dr. Marcos Arevalo, Senior Family Planning Adviser, USAID Global Health Fellows Program and Mr. Nasiruzzaman, Project Management Specialist, Office of Population, Health and Nutrition, USAID/Bangladesh.

Analysis of the DGFP Procurement Cycle

An analysis of the current situation of DGFP procurement management and the relevant issues that affect it are presented in the following sections.

- General Procedural Processes and Responsibilities Relating to the Procurement Cycle
- Human Resource
- Inventory Management and Forecasting Mechanisms
- Procurement Issues
- Lead Time Management
- Executive Management Reports

General Procedural Processes and Responsibilities Relating to the Procurement Cycle

In most countries, procurement in the public sector is a complicated process involving many steps; and Bangladesh is no exception. The following is a summary of the steps undertaken to procure reproductive health commodities for the DGFP.

1. The procurement cycle commences with the Line Directors responsible for different reproductive health commodities, namely Clinical Contraception Services Delivery Program and the Field Services Delivery Program and their program managers assessing their requirements for the next procurement period in December of each year. Current stock on-hand, data on consumption, and other data on consumption trends compiled by the Line Directors and the management information systems (MIS), and other available information from sources such as Demographic Survey Reports are considered in making these assessments.

2. The assessed quantities of different commodities, incorporated into the Line Directorate's programs and procurement plans, are then submitted to the DGFP's Needs Assessment Committee, which is chaired by the Line Director, Information, Education, and Communication, and comprises all other Line Directors.

3. This committee makes the final adjudication on the quantifications submitted by individual Line Directors.

4. The individual procurement plans of line directors are them forwarded to the Line Director for Logistics and Supply. The Assistant Director, Foreign Procurement, then prepares a consolidated procurement plan for the DGFP.

5. The consolidated procurement plan is further reviewed by the Needs Assessment Committee when the Line Director for Finance receives the final budget allocation from the Ministry of Finance. This happens around March/April of the following year.
6. The Assistant Director of Foreign Procurement then submits the final consolidated procurement plan to the World Bank for approval and issuance of a No Objection Certificate (NOC).

7. Once approval is received from the World Bank, individual procurement packages that are included in the consolidated procurement plan for different commodities are allocated to different desk officers by the Line Director for Logistics and Supply for procurement action.

8. Desk officers are responsible for preparing bidding documents, calling for bids, arranging pre-bid meetings, closing bids (in the presence of a bid closing committee) and carrying out bid document authentication.

9. Following bid closure and document authentication, the desk officers (through the Line Director) arranges for the bids to be considered by a Technical Evaluation Committee. This Committee may, if it considers it necessary, appoint a technical subcommittee to assist in bid evaluation.

10. A Bid Evaluation Report (BER) is prepared by the Technical Evaluation Committee, with their recommendation(s), and sent to the Director General for approval.

11. The Director General approved BER is then forwarded to the World Bank for a NOC.

12. The World Bank NOC and the BER are forwarded to the MoFHW for approval by the Line Director for Procurement and Logistics.

13. Following approval by the MoFHW, Notices of Award (NOA) are then issued to the successful bidders.

14. The bidder is allowed is 28 days to submit a performance bond.

15. Upon submission of a performance bond, the Assistant Director of Foreign Procurement coordinates the opening of a Letter of Credit (LOC) in respect of imports. LOC opening entails contacting the Bangladesh Bank which will then nominate a retail bank that would open the LOC.

16. Usually, suppliers ship goods within three months of the opening the LOC.

17. The Assistant Director of Foreign Procurement coordinates the collection of original shipping documents from the Bank, and hands these over to the DGFP accredited clearing agent.

18. The clearing agent undertakes clearance from the port of arrival and arranges to deliver the consignment to the main warehouse in Dhaka.

19. An Inspection and Receiving Committee inspects the goods and issues certification indicating whether the entire consignment or part may be taken into stock. Products may not be accepted if any damage is detected or are not compliant with required specifications.

These 19 steps usually take between 18 to 24 months for completion. A document outlining these steps and time lines is given in Annex 3. (A pie chart illustrating time elements for different steps is found in Annex 4.)

Human Resource Issues

High staff turnover at senior levels and the loss of corporate knowledge and capacity as a result are a major human resource problem. Although this has been highlighted in many previous assessment reports, it does not appear that the issue has been addressed satisfactorily.

DELIVER in its final country report[1] stated that "Some of the challenges for DELIVER's successor project include frequent staff turnover and transfers in the DGFP." The FPAB which conducts training on procurement and logistics for DGFP staff, stated in their report[2] that "A good number of experienced officers have gone on normal retirement. Because of government policy, nowadays cadre service officers of the Ministry of Health and Family Welfare have been deported to the Directorate General office of Family Planning. The newly deported officers have neither exposure to procurement and logistics nor have experience in family planning programs."

Conclusions from previous reviews are that the high staff turnover at senior levels has resulted in the loss of corporate knowledge, impacting on capacity building efforts of donor-funded projects. Discussions with staff at DGFP appeared to confirm this conclusion. For example, the current Line Director responsible for procurement and logistics had just been promoted and was waiting for his new posting at the time of this review. The general opinion among his staff was that he was leaving just when he had acquired enough knowledge of the overall procurement and logistics operation at DGFP, specifically, the World Bank procurement process requirements. It was also mentioned by some DGFP staff that the Director General may also be promoted soon and leave.

While frequent transfers to other Directorates and staff movements within the Family Health Directorate did appear to be a feature at senior levels, it also seemed that transfers have the potential to be the case at middle and lower management at DGFP at the time of the consultancy. A Desk Officer survey (Annex 5) carried out by the consultant as part of this review indicated that out of six desk officers, only two had more than five years' experience at DGFP, one had three years' experience' and the others less than two years. The Deputy Director who also functions as a desk officer could not be interviewed at length as he had just returned from overseas, and a new desk officer had just joined DGFP, bringing the total number of desk officers to eight.

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[1] DELIVER. 2007. *Bangladesh: Final Country Report.* Arlington, Va.: DELIVER, for the U.S. Agency for International Development.
http://deliver.jsi.com/dlvr_content/resources/allpubs/countryreports/BD_FinaCounRepo.pdf

[2] Barket, A., M. Majid, A. Karim, et al. 2009. Human and Economic Impact of RH Supplies Shortage & Stock-outs in Bangladesh. Dhaka, Bangladesh: Family Planning Association of Bangladesh (FPAB).
://www.fpab.org/admin/publication/STOCK-out%20Final%20Report_10.8.09.pdf

A USAID/Bangladesh report[3] suggested the following intervention, "examine the turnover rate among procurement staff in both DGFP and DGHS to determine to what extent it contributes significantly to reducing procurement quality and seek ways to reduce the turnover rate. The key cadres need to be identified and agreements reached between donors and MoFHW on steps to reduce the turnover level in key positions."

It is clear from these reports and anecdotal evidence that high staff turnover, especially at senior levels, has been a contributory factor towards problem plaguing the supply position of reproductive health commodities. The potential for that to happen at middle and lower management is ever present considering that all staff belong to a general administrative cadre who await their turn for promotions and then leave the Directorate unless higher grade positions exists within DGFP for them.

In a study on bottlenecks affecting procurement at DGFP,[4] it was noted that there had been an 80 percent staff turnover during the period 2005–2008. This report stated that, "evidence of the extent of procurement staff turnover in DGFP can be derived from a review of the procurement training offered to DGFP through the DELIVER Project from 2000 to 2005. During that period, DELIVER offered 17 separate procurement training activities consisting of orientations, workshops, and refresher training that included both DGFP and Central Medicine Supply Depot personnel. Class sizes ranged from 16 to 66 participants, with a core group of approximately 14 to 16 DGFP procurement staff personnel receiving training. A review of the current DGFP procurement staff indicates that of this core group, only three staff members were continuously retained in DGFP procurement through August 2008, reflecting a turnover rate of approximately 80 percent."

A report[5] by the DELIVER project recommending new initiatives for ensuring reproductive health commodities suggested the creation of a separate procurement cadre to overcome this problem.

Summary

The frequent staff turnover at DGFP will continue to be a problem resulting in the loss of corporate knowledge, and an adverse impact on efficiency and effectiveness. However, addressing this issue from a structural point of view, meaning, introducing initiatives such as the creation of a procurement cadre as suggested by DELIVER, are long term and potentially difficult measures that require major policy shifts at high levels. The focus of SPS should therefore be to make sure (a) current staff capacity is assessed and improved so that they are able to perform duties allotted to them more effectively and efficiently, (b) to provide a basic knowledge on supply management principles and practices, and (c) to provide basic training on

[3] Bartlett, A., K. Cavanaugh, L. Kak, et al. 2009. USAID Bangladesh: Rebuilding Technical Leadership in Health. International Conference on Population and Development. 2009.

[4] Dickens, Todd. 2008. *Bangladesh: Government of Bangladesh Contraceptive Procurement Bottleneck Study, Full Report.* Arlington, Va.: USAID | DELIVER PROJECT, Task Order 1.

[5] DELIVER. 2007. *DELIVER: Final Project Report.* Arlington, Va.: DELIVER, for the U.S. Agency for International Development.

the DGFP procurement cycle, forecasting mechanism, and inventory control management to more staff from within DGFP. This way a pool of staff members who will have a basic knowledge of these practices maybe be developed, and, if the need arises, can take the place of officers who are promoted and/or transferred.

Inventory Management and Forecasting Mechanisms

Inventory Management

As noted in MSH's *Managing Drug Supply*,[6] "inventory management is the heart of a drug supply system, and without a healthy inventory management system, a drug supply system as a whole will not be viable." Although not all the reproductive health commodities being discussed are medicines, the principles of inventory management apply in equal measure.

It is concluded from this review that reproductive health commodity security in Bangladesh is negatively impacted by the lack of effective inventory management, and that SPS should consider this aspect of supply management as a priority. While there is some inventory or pipeline reporting being done at DGFP, the reporting is not coordinated.

Although critical to ensure commodity security, interventions in inventory management were not the focus of this consultancy, which was concentrated on procurement planning and management, however, it is one of the key focus areas of SPS and should be given due attention.

Inventory management is another word for pipeline management and involves the effective and efficient management of reproductive health commodities available either as stock-on-hand or stock-on-order but not yet received. The outcome of good inventory management is to ensure that there will not be any stock-outs by ensuring that any stock-on-order is received before the stock on hand runs out and new orders are placed in a timely manner to maintain the continuity of supply.

Inventory management cannot be done in isolation of other supply activities like forecasting, procurement, or warehousing and distribution as all these activities are interconnected. Inventory management requires the establishment of parameters like minimum and maximum stock levels and reorder points based on actual demand for supplies. A good inventory control management mechanism is therefore central to ensuring the reproductive health commodity security in Bangladesh.

[6] Management Sciences for Health and World Health Organization. 1997. *Managing Drug Supply*. 2nd ed. West Hartford, CT: Kumarian Press.

Forecasting Mechanisms—Deficiencies and Inadequate Finances to Fund Identified Demand

A vital root cause that has impacted negatively on reproductive health commodity security is deficiencies in forecasting mechanisms, compounded by a lack of finances to fund requirements.

The process for estimating demand for commodities is carried out by each Line Directorate and a program plan along with a procurement plan for commodities under each Line Director's purview is prepared and submitted to an internal Needs Assessment Committee comprising of all Line Directors.

The consultant could not ascertain details on how the quantification was carried out and whether besides DGFP actual consumption data, family planning statistical data and trends, projections contained in relevant reports,[7] and current demand forecast information from other key stakeholders were used in arriving at demand forecasts. There was no indication that other key stakeholders like the Social Marketing Corporation, which has the biggest market share for private sector reproductive health commodity distribution, were involved or consulted in the forecasting exercise.

The Needs Assessment Committee chaired by the Line Director for Information Education and Communication, then adjudicates on the final quantities that should be included in each individual procurement plan. This committee did not seem to have a specific methodology or a scientific approach to adjusting the forecast quantities. One Line Director commented that the committee disputed his projections based on his trend analysis, although an alternative trend analysis was not made available.

The individual line directorate procurement plans are then consolidated into one DGFP procurement plan by the Line Directorate for Procurement and Supply. Nothing further is done until the Line Director for Finance receives the final budget allocation for DGFP from the government.

At this point, if the budget allocation is insufficient to procure the forecast estimates agreed upon by the Needs Assessment Committee, the quantities are further revised to be in line with the budget. This process, according to the Line Director for Finance, inevitable undermines reproductive health commodity security, as a possibly flawed demand forecasting mechanism is further compromised by the need to trim the estimated demand.

The consultant is not making a conclusive statement here about the degree of adjustments done as it was not possible to delve deeply into this due to time constraints to ascertain this, but making a statement that even the best, and scientifically done forecast would have to confront quantity reductions unless there is security of funding to meet that forecast demand, and such an inevitability will result in, a negative impact on the security of reproductive health commodities.

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[7] DELIVER. 2007. *DELIVER: Final Project Report.* Arlington, Va.: DELIVER, for the U.S. Agency for International Development.

There are, therefore, two key considerations.

1. A robust forecasting mechanism that is scientific, estimates total national needs, covers all programs and funding sources, considers all relevant data and involves all key stakeholders

2. Security of funding for a given period during which demand that is forecasted through a mechanism described above would be met without any reductions in quantities.

Forecasting has to consider several key factors, and some of these factors have been outlined in several reports.

In a USAID Bangladesh report,[8] it is stated that, "unless a more efficient and effective forecasting mechanism is put in place, impact on forward projections may not give adequate consideration to some of these factors like changes to the population currently estimated at around 158 million, projected to reach 243 million by 2050 (UN Population Division estimates and projections), drop in fertility rates from 6.7 in 1970 to 2.7 in 2007 (2007 Bangladesh Demographic Health Survey [BDHS]), contraceptive prevalence of 55.8 percent (modern methods prevalence is 47.5 percent), a number that has not changed much since the late 1990s."

The 2007 BDHS shows that three out of five contraceptive users discontinue their contraceptive method within 12 months of starting. Rates are highest for condoms (76 percent). When compared to the 2004 BDHS, the 2007 discontinuation rates of contraceptives increased by 14 percent. Bangladesh faces the challenge of reducing fertility to replacement level (2.2 births or below per woman) by 2010. The Streatfield 2009 BDHS Policy Implication Presentation suggests a rate reduction to 1.7 percent to achieve population stability around 210 million, 50 million lower than other projections.

A UNFPA report[9] published in 2009 mentioned that there has not been sufficient consolidation of demand to reach an ideal user payer system. "…in Bangladesh, the programs (family planning) have been pursued mainly through supply side interventions to satisfy growing demand. It would be challenging to sustain the present level of service delivery on a fragile socioeconomic ground. Moreover, the clients have been considered as passive receiver of services free of cost at a domiciliary level without sufficient effort to empower them to become active seekers of services at static centres, commercial outlets or community clinics. Consequently sufficient crystallisation of demand is yet to take place to reach the situation of 'effective demand' where all the clients would be motivated to use commercial outlets or static centres for services on a payment basis."

According to BDHS 2007, "the contraceptive method mix is dominated by less effective temporary methods like pill, condom, and injectables. There has been little change in the use of contraceptive method mix since 2000. For the last 17 years, the proportion of contraceptive users

[8] Bartlett, A., et al. 2009. USAID Bangladesh.

[9] Bartlett, A., et al. 2009. USAID Bangladesh

of long lasting clinical methods has been declining from a high as 12% in 1991 to as low as only 7.2% in 2004. Clinical methods increased only slightly to 7.3% in 2007. Increase in unmet demand among currently married women 15–49 shows an increase in unmet demand to 17.6% in 2007 (BDHS). The total potential demand (current use plus unmet contraceptive need) for family planning is approximately 73.4%, quite a high figure."

Changes to any of these statistics need to be monitored closely as they all will impact on demand, either upwards or downwards. What perhaps forecasters should keep uppermost in their minds and also follow closely are the national targets mentioned in the sixth five-year plan of Bangladesh.[10]

Its targets include—

1. To reduce total fertility rate from 2.7 to 2.1 per woman.
2. To increase contraceptive prevalence rate from 55.8 percent to 74 percent
3. To reduce discontinuation rate of contraception from 56.5 percent to 20 percent
4. To reduce unmet need from 17.6 percent to 10 percent

A new reproductive health commodity forward projection plan based on the national five-year plan along with an estimate of funding is needed if the above targets are to be met**.**

At this point, it is useful to mention a family planning forecasting tool that was demonstrated by the USAID/Engenderhealth/ACQUIRE project in December 2007,[11] and which some staff from DGFP. From staff reports, this tool called Reality Check appears to be the type of tool that DGFP line directors should employ to work out forward estimates of reproductive health commodities. The Reality Check's user guide shows that it is a planning tool to help policy makers and managers understand what is realistic within the limits of existing resources and to project what additional resources will be needed to serve the estimated number of family planning clients at future points, based on what is known about the population and the unmet need for services.

Sample questions that Reality Check can help answer are—

- If past contraceptive prevalence trends continue, where will we be in 2015?

- The MoH has set a goal of 30 percent modern method prevalence by 2010. Is this achievable? What human and material resources will be required to achieve this goal?

[10] Government of the Peoples Republic of Bangladesh, The Sixth Five Year Plan of Bangladesh 2010 – 2015 Concept of Field Services Delivery Program.
[11] Engenderhealth/The ACQUIRE Project 2007. *Reality Check Family Planning Forecasting Tool – User's Guide.* New York, NY: Engenderhealth.

- How many IUDs will have to be inserted at a site to obtain a one percent IUD prevalence? How many vasectomies will have to be done at a site to obtain 0.5 percent vasectomy prevalence?

- What would be the impact of reducing discontinuation on the numbers of users and commodities needed?

- If you have a high unmet need for family planning, what is needed to meet 50 percent of that unmet need?

This type of planning tool is vital if a more scientific approach is to be taken towards forecasting reproductive health commodity requirements taking into consideration the many variables required.

Summary

Accurate forecasting of demand and adequate funding to finance that demand is vital to ensure reproductive health commodity security. If this does not happen, procurement in the most efficient and effective manner and within a short procurement cycle could still result in stock-outs.

Therefore, forecasting should be done in a more structured manner, preferably by using known and established approaches and tools that take into account the variety of factors required. These factors include data from the latest BDHS and its projections, and other expert opinions on projections, in addition to DGFP's own data on stock on hand, stock on order, distribution trends, etc.

These projections must take a more holistic approach and consider not only the demand of DGFP, but the demand from a national perspective including the private sector. Stakeholders must also assist DGFP to obtain security of funding to meet the estimated demand, so that quantities forecasted may be procured in a timely, effective, and efficient manner.

Procurement Issues

Besides issues related to forecasting that has already been addressed, there are other deficiencies in the cycle that could result in stock-outs. Among them, competency shortcomings of staff, lack of an efficient procurement follow-up system, exceeding allotted time frames for different processes in the procurement cycle, planning delays by line directors on account of funding delays, delays experienced with the World Bank, delays experienced with LOC establishment, and inefficiencies experienced on account of a 24-month procurement cycle and a 12-month financial cycle are addressed in this section.

Core Competencies and Skills of DGFP Staff

The overall procurement process has already been described in earlier chapters, and the time lines for each activity have been given in Annex 3. From these considerations, it can be seen that the work of staff in the procurement and logistics line directorate is quite extensive, and staff associated with these tasks have to be competent in a variety of activities.

Clearly, all desk officers may not be equally competent or adequately trained and experienced to reach a level of competency where they can manage these tasks efficiently and effectively at all times. Currently, there is no structured follow up-system, either to assist the desk officer responsible for a specified package to undertake a convenient self-monitoring activity, or for a supervisor, in this case the Line Director or the Deputy Director, to undertake a monitoring activity. The system in place is a manual process where weekly, or as required, meetings/discussions are held between the supervisor and supervisee. This system is clearly not satisfactory.

Each of the activities in the procurement cycle requires a space of time, and for some of them, the GoB Public Procurement Processing and Approval Procedures (PPPAP) specifies the sanctioned time limits. It is unclear whether those responsible for such activities adhere to the prescribed time limits at all times. It is also unclear whether any corrective action is taken wherever delays beyond the specified time limits, either as per the PPPAP or as per internal determinations, occur. This too is not satisfactory as it should be the responsibility of supervisors at least to make sure internal time limits are adhered to and any delays on time limits specified in the PPPAP are brought to the notice of the Director General for appropriate action.

The principle of escalation (of problems) should be introduced as part of good management practice.

Procurement Planning

Currently, the Line Directors responsible for different reproductive health commodities commence the procurement planning process around December each year. The process flow is shown in Annex 3. However, the directors contend that actual finalization of the quantification cannot be done till the final budget allocation is received from the government which is reportedly around March or April the following year

The procurement processes seem to have improved over time judging from comments in previous reports,[12] "there has been improvement in the procurement performance specifically in the preparation of the procurement plans. These have all been finalized earlier than in the last years. This is linked to an increased awareness for the need of advanced planning to mitigate for the lengthy tendering process."

At present, the preparation of consolidated procurement plans and all follow-up work until World Bank approval is received is carried out by the Assistant Director of Foreign Procurement.

[12] Bangladesh Health, Nutrition and Population Sector Programme. 2008. Mid Term Review Volume I Main Consolidated Report 31st March 2008.

This officer is also responsible for activities associated with opening of LOCs and obtaining original shipping documents from the bank. The dependence on one officer to carry out multiple functions is a risk for DGFP and measures should be taken to develop the capacity of all desk officers to undertake multiple tasks either by assisting the Assistant Director or by doing them in rotation.

Contract Management

The recently concluded annual program review reported[13] the need for technical support for key processes associated with procurement. "…[t]here is critical need for technical back up for (i) framing of specifications, (ii) pre-shipment and post shipment inspections. If the expertise available within the country is adequate then a separate Quality Assurance Wing should be set up to take care of all quality aspects of health sector as also other government procurement otherwise it would be desirable to appoint a consultancy firm."

Some of the processes identified by desk officers and, in instances, by Line Directors, are—

1. Specifications development
2. Preparation of bidding documentation
3. Bidder document authentication
4. Contract management
5. Pre- and post-shipment inspections

Shortcomings in all of the above were confirmed by some of the desk officers. They indicated they would want more training and technical assistance from SPS to help them better manage these processes.

In respect of specifications development, although the commodities being procured have not changed over the years, and therefore the specifications should not have changed, the line directors also indicated they would want their capacity to be built in this function to be able to independently do it in future. As regards bidding documents, while standard bidding documents are being used, some desk officers had difficulty in preparing package specific documents and would require further training.

A key activity undertaken by desk officers is the bidder document authentication process. This is done prior to the meeting of the Technical Evaluation Committee (TEC) and is a very critical activity that has to be done accurately and comprehensively as the TEC relies on this process to ensure the validity and responsiveness of the bid. Desk officers indicated they needed guidance and assistance to perform this task.
The importance of contract management is probably underestimated or over estimated by senior management at DGFP. A recent instance where protracted delays had been encountered over the packaging of condoms is illustrative of the lack of understanding of the norms of contract management and expediting.

[13] Bangladesh Health, Nutrition and Population Sector Programme. 2009. Annual Program Review (APR) Volume II Technical Report 10th May 2009.

The DELIVER Bottleneck Study[14] cite the an example that elaborates the problem, "The other significant delay occurred when the supplier proposed to ship the condoms in strips of 5 condoms as opposed to strips of 10, as identified in the contract requirements—a minor contract deviation that the DGFP could have accepted without jeopardizing program or product integrity while the supplier corrected the remaining shipments. The DGFP, however, chose not to negotiate and stood by the strict interpretation that this deviation constituted a contract violation. The process of resolving the dispute took more than six months and resulted, in essence, in product stock out during February–March 2008, which was minimized through an expensive emergency air shipment of 6 million donated condoms from USAID." Guidance and further training is needed by DGFP staff on contract management and expediting to avoid instances such as the above.

The Assistant Director of Foreign Procurement intimated to the consultant that a bidding process had been initiated to select suitable pre-shipment inspectors but it had not been taken to its conclusion. The consultant discussed the possibility of either the UNFPA undertaking this activity on behalf of DGFP or their registered inspectors doing so. This is a matter that needs further discussion with DGFP and the World Bank officials so that a satisfactory outcome may be achieved.

Inefficiencies Arising from a 24-Month Lead Time and a 12-Month Financial Cycle

As stated earlier, the lead time for the annual procurement cycle varies between 20–24 months and the quantity that is procured varies from 12 to 18 months of stock (12-month requirement plus a buffer of 6 months). This policy however is not applied consistently as quantities are adjusted for budgetary reasons, and, at times, based on other factors such as differing opinions on forecasts within the Needs Assessment Committee. The financial cycle is however 12 months, July to of June the following year. This current procurement cycle that lasts nearly 24 months inevitability results in the parallel running of processes[15] of two different cycles at some points during the respective cycles.

To ensure a more efficient and effective procurement process, it is recommended that, for international tenders the policy should be to procure a 24-months stock, plus a pre-determined buffer, that is shipped in two installments of 12-months stock each. Such a policy will ensure that—

1. The procurement cycle is repeated every two years, and not every year as at present

2. There is ongoing adherence to the 12-month financial cycle.

This is a key policy decision that requires advocacy at the highest levels. Previous reports have also alluded to changing over to increased procurement quantity, and one report[16] on contraceptive security strategy in 2002 advocated placing orders for a five-year period,

[14] DELIVER. 2008.
USAID | DELIVER. http://deliver.jsi.com/dhome/search

[15] Description of DGFP parallel running processes associated with the current procurement cycle

[16] Ministry of Health and Family Welfare, Government of the Peoples Republic of Bangladesh. Proceedings of the launching of The Contraceptive Security Strategy in Bangladesh, June 2002.

"improving procurement and rationalisation of the supply chain – Strategy 1: Create, regularise, and follow a five year procurement cycle including 5 year procurement contracts, and rolling forecasts/deliveries. Recommendation – (1) Develop five year contracts that include clauses for price and quantity changes, early terminations, etc., and (2) build up 24 month buffer stock before HPSP ends."

A subsequent BDHS report[17] advocated a similar approach, "the procurement of family planning commodities is a time consuming process, and ways need to be found to simplify and hasten procurement. Other countries are exploring alternative mechanisms whereby approvals can be obtained once for five years, then simple purchase orders can be submitted annually for goods. More efficient mechanisms are urgently needed as there are predicted to be more stock-outs coming soon for implants and oral pills."

The consultant is of the opinion that five-year rolling contracts as suggested are not appropriate for Bangladesh just yet as (a) the commodity demand is still volatile and will continue to be so for some years to come with the resulting difficulty of predicting notional demand for five years, and doing yearly quantity variations in contracts beyond acceptable norms, and (b) arising from above, such a contract may not promote adequate competition as required by both the GOB PPA 2006 and World Bank procurement guidelines.

The above recommended option is considered the best compromise that will satisfy the two conditions noted above. Figure 2 shows the likely outcome of a two-year procurement cycle synchronized with a two-year financial cycle, achieved by placing an order for a 24-months supply with two deliveries of 12 months supply each.

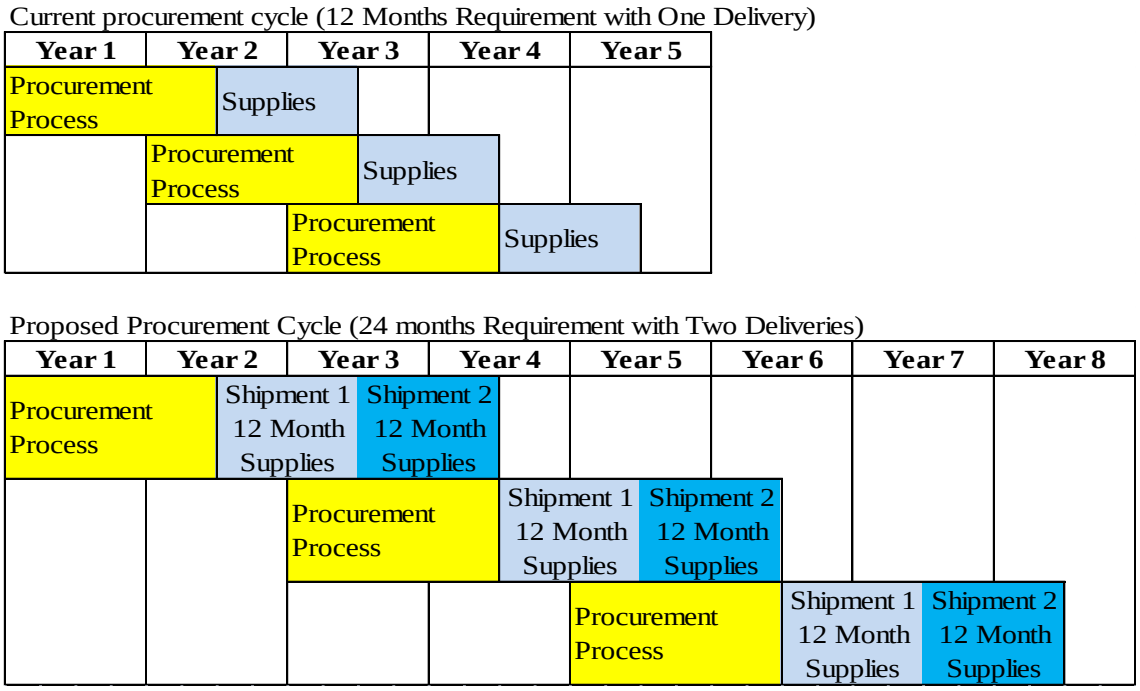

Figure 2. Synchronized two-year procurement cycle with two-year financial cycle

[17] BDHS 2007. Fertility and Family Planning

The proposed cycle provides opportunities to improve lead time by minimizing overlapping processes, re-engineering processes where possible, and improving the quality of some activities like better forecasting, specifications, bidding documentation, bid submission document authentication process, etc.

Besides this option, "framework contracts" as defined in the GOB Public Procurement Act[18] "the procuring entity may, in cases where it requires to procure commonly used goods on a periodic basis in substantial quantities or recurrent physical services, apply either the open or the limited tendering method in order to conclude a framework contract with one or more suppliers or tenderers" have also been mentioned as a possible way of streamlining the procurement process. In the longer term, it may be opportune to consider such contracts.

Summary

DGFP staff associated with different aspects of the procurement cycle should be competent in a more structured and holistic forecasting mechanism as mentioned earlier. In addition, staff should be competent in preparation of bidding documents, specification development, technical evaluation of bids, authentication of bid documents, pre- and post- inspection mechanism, letter of credit opening, and contract management. The measure of this competency would be (1) an agreement on a revised, reduced, procurement cycle timeline that is consistent with the GOB PPPAP timelines and internal good management practices, (2) strict adherence to this reduced time line, (3) issue of World Bank NOC's without any queries, and (4) receipt of supplies that are consistent with specifications and therefore 100 percent acceptable for distribution.

Introducing Electronic Procurement (e-Procurement)

The Government of Bangladesh has launched the concept of a "digital Bangladesh," and it may be opportune to consider e-Procurement as a means of improving the efficiency and effectiveness of the entire procurement process.

The Central Procurement Technical Unit (CPTU) has launched an e-Government procurement initiative, on a pilot basis; this is expected to apply to a few target agencies namely Bangladesh Water Development Board, Rural Electrification Board, Roads and Highways Department, and Local Government Engineering Department in Bangladesh. The system will be rolled out across all the procuring entities in a phased manner as a way to promote the use of information and communications technology (especially the Internet) by government agencies and other actors of the procurement community in conducting all activities of government procurement process cycle for the acquisition of goods, works, and consultancy services to ensure enhanced efficiency in procurement management. The e-GP system is a web-based system which encompasses the total procurement life cycle and records all procurement activities.

The purpose of this system is to maintain complete and up-to-date public procurement system activities of all public agencies as well as provide tender opportunities to all potential tenderers

[18] Government of the Peoples Republic of Bangladesh 2006. The Public Procurement Act 2006 (Act No 24 of 2006) – Part 3.

from Bangladesh and abroad.[19] The vision of the e-GP is to enhance the efficiency and transparency in public procurement through the implementation of a comprehensive e-GP solution to be used by all government organizations in the country.

It must be noted however that e-Procurement is an enabling tool and not a substitute for fast tracking processes that are required to be carried out as part of Government of Bangladesh and World Bank policy. To this extent, staff who may find the concept of e-Procurement attractive must realize that they have to be well versed with the policy and how to implement it, irrespective of the medium they use to conduct the process.

However, the electronic medium can certainly assist in bringing in efficiencies that manual processes simply cannot. As a start, at the request of the World Bank, the Assistant Director of Foreign Procurement has begun submitting documents such as the consolidated procurement plan electronically to the World Bank rather than manually. This has made the approval process much more efficient and faster. Electronic transfer of documents needs to be extended to all documents that have to go to the World Bank. Queries raised and responses can all be transmitted electronically. This would result in a considerable saving of time.

Expansion of e-Procurement to other areas such as electronic submission of bids, automatic scheduling of bid submissions, conveying NOA, are areas that should be considered in the medium term, as some of these activities may require changes to policy outlined in the GOB PPA. In this regard, both the DGFP and SPS should liaise with the CPTU to check the progress of the pilot sites and visit them to see the functioning of the e-GP system. Rather than reinventing the wheel, DGFP should canvass to be included in the CPTU rollout once the pilot sites have been successfully implemented and the final product commissioned.

The DGFP procurement cycle is essentially manually driven. Such a process could always lend itself to delays, inaccuracies, and inefficiencies arising from repetitive work that might be avoided through automation. E-Procurement is a very broad term and could mean many things to many people. As far as DGFP is concerned, it should be considered as a mechanism that provides opportunities to streamline aspects of the procurement cycle by automating them and using electronic means to process them rather than doing them manually. DGFP and SPS should explore which aspects could be automated using electronic means of recording and transmitting documents. Another aspect that could be done electronically is a procurement progress monitoring mechanism that can be used by desk officers and which would be available for senior managers to track progress of procurement packages. Another aspect that could be considered for inclusion in an e-Procurement package for DGFP is an advance warning system within procurement to indicate likely stock-outs.

Lead Time Management

The current lead time of 18–24 months is extraordinarily high. Perhaps what is not well understood or appreciated is the fact that this lead time represents inventory, either as stock on hand or stock on order or both. This inventory translates into funds tied down and unavailable for

[19] Central Procurement Technical Unit.e-Government Procurement. http://www.cptu.gov.bd/EProcurement.aspx

any other urgent purpose. Therefore, a reduction in the lead time can reduce inventory and therefore the amount of funds unavailable.

There are some misconceptions about the definition of lead time. It is defined as the period between contract signing (or financing) and shipment in the DELIVER procurement primer document.[20] This is misleading as an inventory of supplies (on hand plus on order) is required not just for the period defined as noted above, but for the entire period between the time the line directors commence their quantification process up until fresh supplies are received in the warehouse and ready to be distributed. MSH[21] defines lead time as "the time interval needed to complete the procurement cycle. It begins at the time the need for new stock is recognized, and ends when that stock is received and available for issue." Lead time therefore must reflect inventory adequate to meet demand until new supplies arrive and are ready to be issued.
As all the processes prior to signing a contract with a supplier has to be gone through before a contract may be signed, the time taken for all those processes must be part of the overall lead time.

Supply replenishment lead time is an integral component of inventory management, and lead time has a direct link to the risk towards stock-out situations. Inventory management parameters like maximum/minimum order levels, re-order levels, buffers stock levels, and re-order quantities all have a relationship to the length of the lead time, and actual demand. Individual settings of these parameters need to reflect the actual lead time as well as true demand if stock-outs are to be avoided or minimized. A shorter lead time is an indication of the possibility of sourcing supplies in shorter periods of time, making it unnecessary to have large buffer stocks. The need for investigating ways and means of reducing the current lead time should be a key consideration for SPS at least to the extent of reducing the element of risk associated with ensuring an uninterrupted supply of reproductive health commodities. This thinking is reflected by USAID Bangladesh in one of the suggested interventions included in their report[22] referring to rebuilding technical leadership in health, "Review and, where necessary, re-design the procurement process for commodity purchases funded through HNPSP—to make the process faster and more efficient. This is a current priority in the light of procurement delays. A thorough process analysis and redesign is needed."

The long lead time of around 23 months identified by the consultant after a review of the procurement process and the risk it poses to continuity of supply availability is not well understood at DGFP. In the main, this appears to stem from the absence of a linkage between the long lead time and inventory management.

If it were possible, for instance, to reduce the total lead time to 12 months from the current 22 months, it would mean that the total inventory need not be more than 12 months, as fresh supplies will be available within 12 months of the commencement of the procurement process.

[20] Woodle, D., T. Dickens, and J. Fox (PATH). 2008. *Procurement Primer for Health and Family Planning Programs in Bangladesh*. Arlington, VA.: Prepared by PATH for USAID | DELIVER PROJECT, Task Order 1. http://deliver.jsi.com/dlvr_content/resources/allpubs/guidelines/BD_ProcPrimHealFami.pdf

[21] Management Sciences for Health and World Health Organization. 1997. *Managing Drug Supply*. 2nd ed. West Hartford, CT: Kumarian Press.

[22] Bartlett, A., et al. 2009. USAID Bangladesh.

Stock-outs occur primarily when there is a gap between the duration of on-hand stock and the time any on-order stock arrives in the warehouse, or when the stock on hand is insufficient to meet the actual demand. A lead-time analysis[23] shows that the entire period between the time the Line Directors commence their quantification process to supplies being available in the warehouse for distribution is 23 months. It needs to be noted that these timeframes are the upper limits for some activities, and therefore, in reality, the total time frame could be lower than 23 months.

Because of time constraints, the consultant was unable to do a detailed work study analysis of each of the sub-processes in the procurement cycle. This needs to be done before any measures are suggested as to how a degree of re-engineering maybe done to expedite some sub-processes and reduce the lead time.

At this stage, it suffices to state that the attention of senior staff at DGFP should be drawn to the important fact that lead time means stock and that the country should have enough stock (either on hand or on order) to last until supplies from a new procurement cycle is received. If the length of the procurement cycle is 24 months, the lead time is 24 months. This means that DGFP should have at least 24 months stock in the pipeline (on-hand stock as well as any on-order stock not yet received). What is referred to as the pipeline here is what is referred to as inventory in conventional supply management terminology. A long lead time therefore means a large amount of stock in the pipeline and a shorter lead time will mean a smaller amount of stock in the pipeline. A smaller amount of stock involves less funds being tied up in stock and available for other urgent requirements.

Executive Management Reports

Reports that were reviewed, such as the Family Planning Logistics Pipeline Report and the Family Planning Monthly Logistics Report contained useful information, but they did not present themselves as executive management reports for one reason or another. SPS therefore will need to investigate information sources within DGFP, reports that are currently being generated, and introduce a monthly executive management report within 2 weeks or so after the end of the month, and present important information on the inventory status of all reproductive health commodities to enable senior management to take urgent corrective action if it is foreseen that there could be potential stock outs long before it actually happens.

1. **The Family Planning Monthly Logistics Report—**This report has a lot of useful information, but it might be better to present some of that information on a quarterly basis as collecting and collating the data takes time and the monthly report is usually issued about two to three months after the data has been collected. It also presents information on potential **s**tock-outs in different warehouses, but again, this information is two to three months out of date, and it also does not give an indication when the particular warehouses are going to be out of stock based on available stock and monthly consumption.

[23] DGFP procurement process for WB funded purchases. 2009

It is also possible to present information in this report pertaining to out of stock and potential stock-out positions by item and warehouse in tabular form to make it more user friendly to read.

The Family Planning Association of Bangladesh had done a study of human and economic impact of reproductive health supplies shortages and stock outs in 2009,[24] and had commented that, "while the Monthly Logistics Report as a monitoring tool provided useful information on monthly distribution and stock balance of all major contraceptives and DDS kits of warehouse/Upazila stores, there was no forecasting mechanism to project commodity requirements for a growing population with diversified needs (of method – mix). Status of Stock – out situations – According to the Family Planning Monthly Logistics Report of DGFP (November 2007 to October 2008) stock out of RH commodities was experienced by a large number of Upazila's (24.16% to 44.58%). Field managers, in their interviews, admitted with hesitation that stock-out situations prevailed during the last one year in one RH – FP method or other."

While this report provides statistical information, it does not serve a useful purpose as a management report in its current form, and that it needs to be presented as two separate reports. One would be a monthly executive management report, and the other a quarterly statistical report. It may be possible to combine the Family Planning Logistics Pipeline report (see below) with the portion that is to be presented as an executive management report, so that there will only be one monthly executive report.

2. **Family Planning Logistics Pipeline Report—**This is a useful report that provides a summary on the stock status of contraceptives and drug and dietary kits with the GoB. Although the report is supposed to have information from NGOs, the consultant did not see such information in the monthly report. Information is derived from the monthly information contained in form 7 and Form 7B submitted to the MIS unit by different tiers of the logistics system.

   Again, although the report is supposed to contain information on shipping schedules of development partners, creditors, and procuring agencies, such information is lacking in the monthly report. As a management report, it would have been useful if the report also provided information on any stock on order for DGFP and its supply status especially in the graphical presentation indicating the number of months' stock. Information as it is presented is incomplete and misleading.

   A discrepancy was noted in the forecast monthly consumption and the actual consumption for the same month(s) in subsequent reports. Forecast information for the following months

[24] Abul Barkat, A., M. Majid, A. Karim, et al. 2009. *Human and Economic Impact of Reproductive Health Supplies Shortages & Stock-outs in Bangladesh: Study Findings*. Dhaka, Bangladesh: Family Planning Association of Bangladesh. http://www.ippf.org/NR/rdonlyres/5E64F887-5727-4840-B17E-31B6FDCC0AF3/0/HumanEconomicImpactShortageReproductiveHealth.pdf

contained in the February 2009 report differed markedly with actual consumption for the same months in the September 2009 report.
The number of months of stock also differed as shown in table 1. This casts some doubts on the accuracy of the forecast and questions the basis on which the forecast is made. It also raises the question whether these reports are given serious consideration and it confirms that SPS should assist firstly redesigning these reports and secondly assist in interpreting information contained in them.

The following example for condoms illustrates this.

Table 1. Sample Discrepancies in Data in Family Planning Logistics Pipeline Report

Month	Forecast as per Feb. 09 report (no. of condoms)	Actual as per Sept. 09 report (no. of condoms)	Forecast months stock (as per projected consumption) Feb. 09 report	Actual months stock (as per actual consumption) Sept. 09 report
March	6,948,845	N/A	29.1	
April	6,970,735	7,949,419	29.6	26.0
May	6,991,920	7,719,944	30.0	24.7
June	7,013,811	8,024,035	30.5	26.0
July	7,034,996	8,347,666	32.1	23.9
August	7,056,886	8,356,323	31.0	22.0
September	7,078,777	8,378,509	29.8	20.6

3. **DGFP Contraceptive Stock and Procurement Scenario Report—**This report is generated monthly (or as required) by DELIVER on behalf of DGFP (Annex 6). It gives a snapshot of the total inventory position of different reproductive health commodities, including what has been approved by the World Bank but yet to be ordered. It is a useful report and is representative of the type of executive management report that should be made available to the Director General and other senior officers of DGFP, and other stakeholders.
However, the report appears somewhat confusing to someone who is not directly associated with procurement and inventory management activity at DGFP, and its user friendliness needs to be improved. SPS should devote their attention to undertake these improvements. Besides improving the presentation of information, SPS should also make sure information contained is accurate, and projections (of stock and inventory duration) are reflective of accurate information.

In this respect, it needs to be pointed out that—

- When a procurement cycle commences, demand estimates are made or should be made for a period commencing two years hence, considering that supplies will arrive in the warehouse almost two years after the cycle commences as the current lead time is nearly 24 months.

- As the Line Directors have indicated, if the quantities that are being procured are not necessarily the quantities estimated by them (having been reduced either by the Needs Assessment Committee or due to budget constraints), then the monthly consumption figures used in this report are not necessarily reflective of actual demand. Care should

be taken to calculate the months of stock that is more reflective of actual demand. It is suggested therefore that this computation takes into consideration the original estimations made by Line Directors, and not the reported monthly usage, as this would give a better idea of stock duration as per demand. Annex 6 shows the DGFP Contraceptive Stock and Procurement Scenario (2008-11), 09 Nov 2009 Report, after it has been amended as per the forward demand estimates originally made by Line Directors.

A comparison of the stock duration can be seen if the two reports are compared.

The above management reports, in particular the amended DGFP Contraceptive Stock and Procurement Scenario (2008–11) Report November 9, 2009, indicates the supply gaps and possible stock out situations, and also indicates the quantum of the shortfall in supplies till end of 2013 for some of the items. As the HNPSP concludes in June 2010, and as the time lines for the commencement of a new program to replace this is not known at this stage, and as the lead time for conclusion of the procurement cycle is around 24 months, the consultant is of the opinion that security of reproductive health commodities should be assured till the end of 2013. This would allow the new program adequate time to formulate their strategic direction and plans, and an opportunity for DGFP to commence the 2014 procurement cycle by December 2011 (24 months prior to actual receipt of supplies in the Central Warehouse, latest by October/November 2013).

In this regard, as the consolidated procurement plan for 2010/11 has already been prepared by DGFP and approved by the World Bank, what is needed is to adjust the quantity of each item to reflect requirements to meet the demand for them till end of 2013. Care should be taken to make sure the quantification is based on estimated demand in years 2010 to 2013.

As regards condoms, it is noted that no procurement orders have been placed, and there are no outstanding orders. It is understood that future requirements will be met by the government factory in Khuln. Although this factory is understood to have produced some trial batches, it has not begun production as yet. The consultant could not visit the factory or meet appropriate persons associated with this factory due to time constraints.

Depending on one source to supply the country’s entire requirement will place the security of condom supplies at risk, and that DGFP should take adequate risk mitigation measures to ensure the continuity of supplies. This is vital considering the substantial volume of condoms required and the difficulty of obtaining large quantities of supplies at short notice even if emergency measures are adopted to obtain them.

Executive management reports should be read. Therefore, there reports should be user friendly and concise as senior managers do not have much time to read lengthy reports; they should be accurate, timely, and provide high-level information that senior managers are interested in and which they can use to take corrective action where and when necessary. With the exception of the monthly stock status report generated by DELIVER, which was not perfect but provided some valuable information in one page, the others report do not match the above criteria.

WHAT ARE THE POSSIBLE SOLUTIONS?

Suggested approaches to remedy the current situation include institutional systems strengthening, advocacy and promotion of hierarchical advocacy, focus on strategies to promote continuity of core activities, capacity building, and measures to retain corporate knowledge.

- Continuing capacity building and retention of corporate knowledge—greater operational involvement of key stakeholders through appropriate working groups.

- Retaining specialist expatriate consultants on short-term assignments to provide technical assistance for specific needs.

- Providing operational assistance to desk officers to improve the quality and efficiency of procurement processes.

- Developing a five-year DGFP reproductive health commodity projections document based on demographic survey report and other available data. This document will form the basis for computing annual and biannual commodity projections.

- Introducing an inventory management and forecasting cell to be responsible for monitoring progress of procurement processes in addition to coordinating inventory management and forecasting activities

- Developing information, education, and communication materials to raise awareness on the implications of stock outs among DGFP staff and lifting the self advocacy profile of DGFP.

- Advocating for a two-year procurement cycle with two yearly distribution installments.

- Investigating possibilities of developing framework contracts and a supplier pre-qualification process

- Introducing separate standard operating procedures for procurement, inventory management, forecasting, warehouse management, and distribution

Recommendations

1. Conduct a quick and detailed assessment of procurement status of all outstanding packages for years 2009/10, and 2010/11.

2. Provide operational assistance where needed to fast-track existing packages.

3. Form a DGFP Reproductive Health Commodity Forecasting Working Group to replace the current DGFP Needs Assessment Committee. This new working group should include

DGFP Line Directors and key stakeholders such as USAID, Social Marketing Company (SMC), UNFPA, Kreditanstalt für Wiederaufbau (KfW) and others such as BRAC if deemed appropriate. Involvement of other key stakeholders will ensure continuity and retention of corporate knowledge on forecasts considering the frequent movement of senior DGFP staff.

This working group will have three major tasks.

1. To assess and determine the demand estimates for RH commodities till the end of 2013.

2. To prepare forward estimates for a 5 year period

3. To undertake advocacy at the highest levels to secure guaranteed funding for the five year period.

Task 1 - To assess and determine the demand estimates for RH commodities till the end of 2013. The working group should consider the current national reproductive health commodity security situation, taking into consideration agreed projections for all items until end of 2013, outstanding quantities included in packages in process or not yet finalized stock on hand, stock on order but not yet received, and stock available in the distribution pipeline to Upazila level. This information should be obtained from stakeholders who procure and distribute (or sell) these commodities.

Considering that HNPSP ends in June 2011, and a new program that would replace it will require time to establish itself, the need to ensure security of RH commodities assumes even greater importance. The immediate task for this working group therefore will be to identify any immediate and near future potential stock-out situations, and also identify supply gaps till the end of 2013, and initiate action to mobilize resources and procure the supplies required. The year 2013 has been targeted considering the procurement cycle lead time of 18 – 24 months, and the potential for a negative impact on the RH commodity supply situation if the new program should have an extended transition period as has happened when the current HNPSP replaced the previous program. It is therefore strongly recommended that the supply situation is assured till the end of 2013 and action is taken now rather than later.

One way of doing this would be by increasing the quantities of items in the consolidated procurement plan for 2010/11, and seeking approval from the World Bank for a revised consolidated procurement plan. Once the supply gap is identified, the working group should advocate for additional funding at all levels and from all sources to meet the additional quantities included in the revised consolidated procurement plan.

Task 2 – To assess and establish demand estimates for a five year period for all RH commodities. This should be done by using all available information from the DHS report of 2007, UNFPA projections, DGFP statistics and all other available data. The demand estimates so arrived at should be reviewed at least bi annually by the Working Group and corrective action in regard to the need, if any, for procurement of any additional supplies recommended to the Director General of DGFP.

It is recommended that SPS supports working group to implement of PipeLine®[25] software to monitor the pipelines of RH commodities. PipeLine® should be updated monthly with consumption and stock on hand data from the web-based LMIS, and also shipment and planned procurement data from the DGFP procurement cell and other donor sources. On a quarterly basis the supply and procurement plans for RH commodities should be reviewed to reflect the prevailing situation and corrective measures taken as appropriate. If implemented fully, and adequately maintained, PipeLine® can generate reports that will assist policymakers, product suppliers and donors estimate future product needs, and use the software as a key tool in program planning.

Task 3 – Advocacy at the highest levels to secure guaranteed funding for demand estimates arrived at by the Working group. Preparation of estimates based on all available data and projections will only be part of an important exercise, and unless there is guaranteed funding to source supplies in line with the estimates arrived at, the purpose of determining better estimates will be negated. For this reason, the Working Group should assist the Director General DGFP to secure guaranteed funding and timely release of funds to open Letters of Credit, by advocating for this at the highest levels. In addition, in the event securing the entirety of required funding is not successful, the Working Group should be instrumental in seeking additional Donor support to bridge any shortfall in funding.

4. Introduce a 2 year procurement cycle with two deliveries of supplies to match the annual financial cycle. This has been described in figure 2 (page 22). Such a change will circumvent the need for concurrent procurement activity that takes place now on account of annual procurement cycles. World Bank and Ministry of Health approval will be required to invite bids for a two year period, with an appropriate price and quantity escalation clause that will permit the DGFP to grant an increase in quantity or price for year 2, subject to terms and conditions stipulated in a clause to be defined and included in the bid invitation. In the event a supplier seeks a price revision for year 2 or DGFP wishes to procure an increased quantity for year 2, such a clause will avoid the need to call for fresh bids provided the escalation is within the terms and conditions of the clause.

   This change will require advocacy at high levels within the Ministry of Health and the World Bank.

5. Assist desk officers to identify qualified pre-shipment inspection authorities through a competitive bidding process. In the interim, seek World Bank approval to use either the UNFPA to carry out pre-inspections or use inspection authorities registered with the UNFPA to do so.

6. Assist desk officers with bid document authentication process by developing the methodology and tools to do this.

[25] PipeLine® is a desktop software tool that helps program managers plan optimal procurement and delivery schedules for health commodities, and monitors orders throughout the supply chain. – http://deliver.jsi.com/dhome/resources/tools/softwaretools/pipeline

7. Improve management reports such as the Family Planning Monthly Logistics Report, Family Planning Logistics Pipeline Report, and the DGFP Contraceptive Stock and Procurement Scenario (2008–11) Report for them to provide concise high level information that could be used by senior management to be better aware of the status and also to facilitate taking corrective action where supply shortfalls or stock outs are anticipated.

8. Undertake a detailed work study analysis to explore avenues to reduce overall lead time

9. Develop electronic procurement tracking mechanisms, such as one that will track packages until World Bank NOCs are given for the consolidated procurement plan for use by the Assistant Director of Foreign Procurement and another for use by desk officers for individual packages included in the consolidated procurement package.

10. Oversee this tracking and submit management reports to senior management at monthly meetings with the DGFP Director General. SPS to follow up on corrective action taken at meeting with DG/DGFP.

11. Facilitate coordination with World Bank officials on all NOC application processes.

12. Develop standard operating procedures that describe the entire procurement cycle identifying responsibilities for each component, time frames, and impact of delays/shortcomings of each component on preceding and succeeding linkages in the chain. This document should be integral to all procurement training activities.

13. Introduce an inventory control management and forecasting cell within DGFP to coordinate inputs to, and decisions of, the DGFP Forecasting Working Group. The inputs include submission of on hand stock position, on order information, yet to be processed information, trend analysis, lead time analysis, etc. This cell will also act as a monitoring unit to report on progress of procurement processes. Its function should not be considered part of the warehousing function but should be independent of it; at the initial stage it could be managed by SPS with supporting staff drawn from DGFP.

14. Assist the ongoing rollout of Logistics Management Information System, Warehouse Management Information System, and Upazila Management Information System.

15. Develop stock monitoring software that will facilitate central monitoring of stock movement to levels decided by the DG/DGFP.

16. Conduct a capacity gap analysis of stock control and storekeeping officers up to Upazila level.

17. Training in ongoing procurement. Orient new staff and provide refresher training for current staff with a view to developing a pool of officers who have had some exposure to NCB and ICB bidding processes and components of the lead time.

Action Plan to implement recommendation – A detailed action plan is given in Annex 7 that provides the deliverables and target completion dates for each recommendation.

ANNEX 1. REFERENCES

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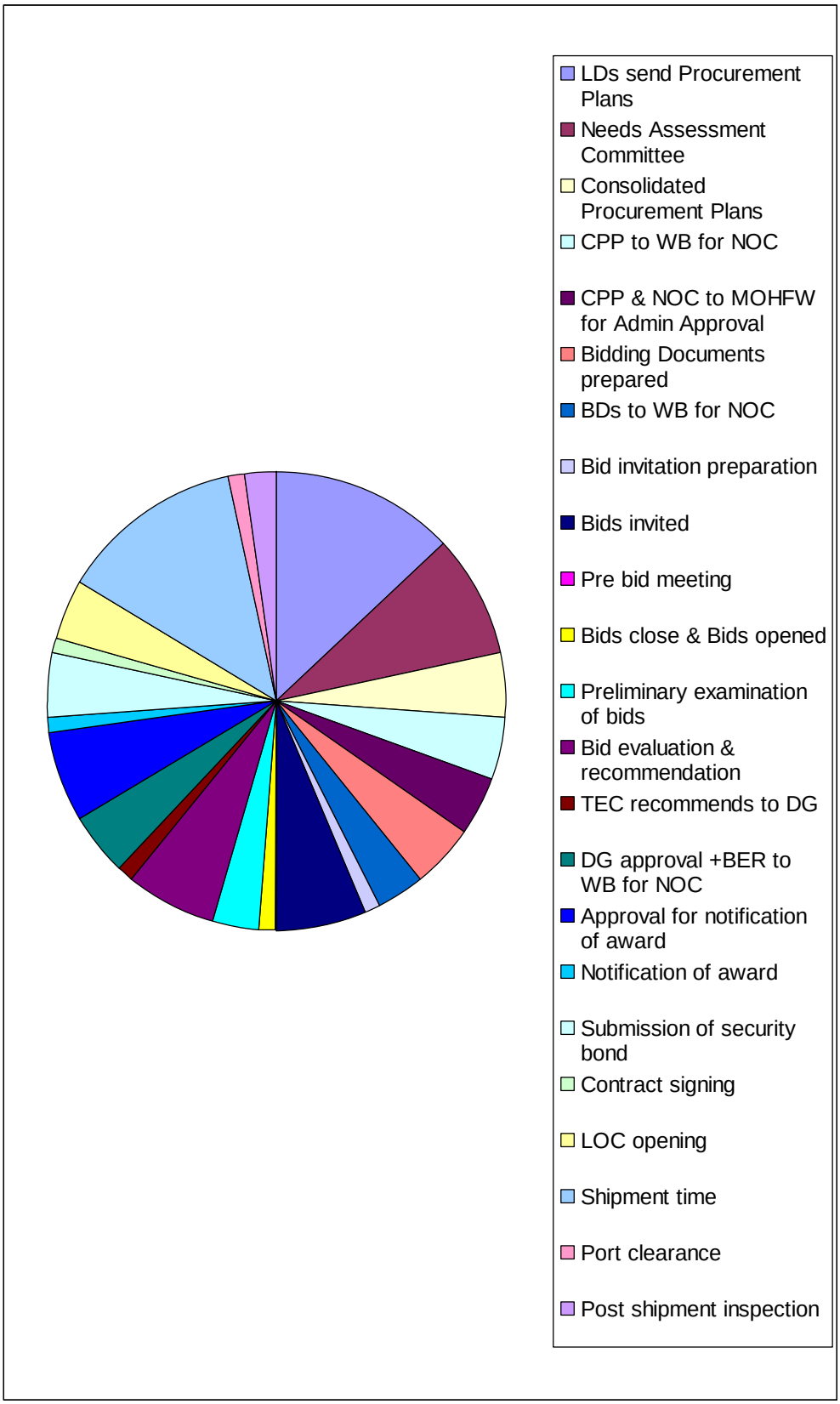
ANNEX 2. LIST OF PERSONS MET

Name	Title	Organization
Md Abdul Qayyum	Director General	Directorate General of Family Planning
Md Zahir Uddin Babar	Line Director (MIS Services & Personnel – FP)	Directorate General of family Planning
Mr. Rezaul Islam	Deputy Director, MIS	Directorate General of Family Planning
Md Hossain Molla	Director, Logistics & Supply	Directorate General of Family Planning
Dr. A.K.M. Mahabubur Rahman	Line Director, Clinical Contraception Services Delivery Program	Directorate General of family Planning
Mr. Abdullah Al Moshin Chowdhury	Line Director, Field Services Delivery Program	Directorate General of family Planning
Md Momtajuddin	Line Directorate for Logistics & Supply	Directorate General of Family Planning
Ms. Sabina Praveen	Assistant Director Foreign Procurement	Directorate General of Family Planning
Mr. Md Jalal	Desk officer	Directorate General of Family Planning
Md Abdul Baten	Desk officer	Directorate General of family Planning
Ms. Shahanaj Parveen	Desk officer	Directorate General of family Planning
Md Abdul Kashem	Desk officer	Directorate General of family Planning
Md Khurshid Jahan	Desk officer	Directorate General of family Planning
Mr. M M Kaiser Rashid	Acting Country Director	USAID/DELIVER Project
Md Raziq Hossain	Operations Officer South Asia Human Development Sector	World Bank Office Dhaka
Mr. Marghoob N. Hussein	Procurement Specialist	World Bank Office Dhaka
Dr .Bushra Binte Alam	Public Health Consultant	World Bank Office Dhaka
Ms. Afsana Taher	Operations Manager	United Nations Population Fund
Mr. Jawher Lal Das	Supply & Procurement Officer	United Nations Population Fund
Dr. Fahir Uddin Ahmed	Director General	Family Planning Association of Bangladesh
Ms. Perveen Rasheed	Managing Director & CEO	Social Marketing Company
Mr. Mahbubur Rahman	Head of Marketing	Social Marketing Company
Mr .Sayedur Rahman	Head of Sales	Social Marketing Company
Mr. Toslim Uddin Khan	Head of Research & MIS	Social Marketing Company
Dr. Sukumar Sarker	Senior Clinical Officer Population Health and Nutrition Team	USAID/Bangladesh

ANNEX 3. DGFP PROCUREMENT PROCESS FOR WORLD BANK-FUNDED PURCHASES

Step	Activity	Commencement	Completion	Time Taken (Weeks)	Responsibility	Total Lead Time (Weeks)
1	LDs send Procurement Plans	December Y1	February Y1	12	Line Directors (LDs)	12
2	Needs Assessment Committee	March	April	8	LD (I,E &C)	20
3	Consolidated Procurement Plans	May	May	4	LD (P&L)	24
4	CPP to WB for NOC	June	June	4	WB	28
5	CPP & NOC to MOHFW for Admin Approval	July	July	4	LD(P&L) & DG	32
6	Bidding Documents prepared	Aug	Aug	4	desk officers	36
7	BDs to WB for NOC	Sep	Sep	3	WB	39
8	Bid invitation preparation	Sep	Sep	1	desk officers	40
9	Bids invited	Oct	Nov	6	desk officers	46
10	Pre bid meeting	Oct	Nov	0	desk officers	46
11	Bids close & bids opened	Nov	Nov	1	TOC	47
12	Preliminary examination of bids	Nov	Dec	3	desk officers	50
13	Bid evaluation & recommendation	Dec	Jan Y2	6	TEC	56
14	TEC recommends to DG	Jan	Jan	1	TEC	57
15	DG approval +BER to WB for NOC	Jan	February	4	WB	61
16	Approval for notification of award	Feb	March	6	DG/MOFHW/CCGP	67
17	Notification of award	April	April	1	DG	68
18	Submission of security bond	May	May	4	Bidder	72
19	Contract signing	May	May	1	DGFP/Bidder	73
20	LOC opening	June	June	4	LD (P&L)/Bank	77
21	Shipment time	July	Sep	12	Bidder	89
22	Port clearance	Oct	Oct	1	C&F agent	90
23	Post shipment inspection	Oct	Oct	2	Receiving Board	92

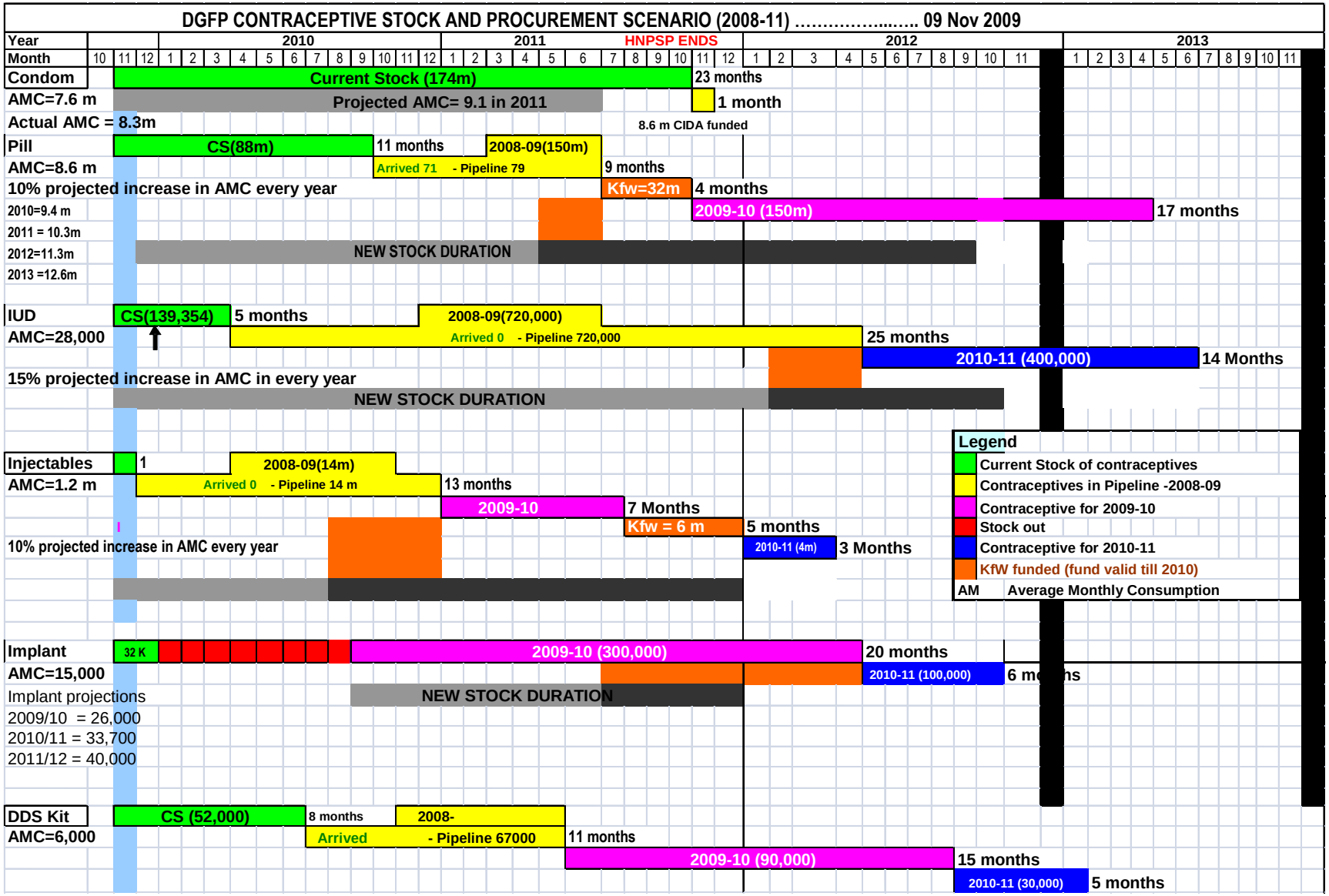
ANNEX 4. PROCUREMENT LEAD TIME CHART



ANNEX 5. DGFP DESK OFFICER SURVEY SUMMARY

Name of Desk Officer	Responsible for (which package/s)	How long has officer been a Procurement Desk Officer at DGFP?	Has the officer done similar procurement work before joining DGFP?	Can the Desk Officer name the training programs attended in the last 2 years? Please indicate specifically whether the officer has attended any training on World Bank procurement procedures.	Can you note any specific areas where you need further assistance and/or training, and also any suggestions how the procurement process can be improved.

ANNEX 6. DGFP CONTRACEPTIVE STOCK AND PROCUREMENT SCENARIO



ANNEX 7. ACTION PLAN FOR IMPLEMENTATION OF RECOMMENDATIONS

No	Recommendation	Deliverables	Target Completion Date
1	Conduct a quick and detailed assessment of procurement status of all outstanding packages for years 2009/10, and 2010/11.	Assessment Report indicating progress within procurement cycle. This document will also serve as a commencement point for SPS in house technical support activity for DGFP	28/2/10
2	Provide operational assistance where needed to fast-track existing packages.	Monthly reports from SPS Procurement Consultant based in DGFP to Country Director, SPS, providing updates on status of packages indicating specific SPS interventions and outcomes	Monthly Reports commencing 1st March 2010 indicating assistance provided and outcomes achieved
3	Form a DGFP Reproductive Health Commodity Forecasting Working Group to replace the current DGFP Needs Assessment Committee. This new working group should include DGFP Line Directors and key stakeholders such as USAID, Social Marketing Company (SMC), UNFPA, Kreditanstalt für Wiederaufbau (KfW) and others such as BRAC if deemed appropriate. Involvement of other key stakeholders will ensure continuity and retention of corporate knowledge on forecasts considering the frequent movement of senior DGFP staff. This working group will have three major tasks.	Establishment of the Forecasting Working Group by the Director General, Directorate General of Family Planning with membership as recommended	End August 2010
	Task 1 - To assess and determine the demand estimates for RH commodities till the end of 2013.	A supply gap analysis and a quantification document identifying RH commodity requirements till end 2013 that takes into account current stock, current average monthly consumption, projected consumption till end 2013, orders already placed (LOC opened) but not received yet and procurement packages still being processed.	31st August 2010
	Task 2 – To assess and establish demand estimates for a five year period (from 2011 to 2016) for all RH commodities.	Review information in DHS report of 2007, UNFPA projections, DGFP statistics and all other available data and submit report indicating RH Commodity demand projections till end 2016.	30th September 2010
	Task 3 – Advocacy at the highest levels to secure guaranteed funding for demand estimates arrived at by the	Increased awareness of importance of RH Commodity Security	ongoing

No	Recommendation	Deliverables	Target Completion Date
	Working group.		
4	Introduce a 2 year procurement cycle with two deliveries of supplies to match the annual financial cycle from 2013/14 financial year.	Approval from the Ministry of Health and Family Welfare and the World Bank, Bangladesh, to commence a two year procurement cycle from 2012/13	31/12/10
5	Assist desk officers to identify qualified pre-shipment inspection authorities through a competitive bidding process. In the interim, seek World Bank approval to use either the UNFPA to carry out pre-inspections or use inspection authorities registered with the UNFPA to do so.	Obtain approval of the Ministry of Health & Family Welfare and World Bank Bangladesh to use the services of the UNFPA to carry out pre shipment inspections on procurement packages commencing with the 2010/11 packages.	30 /6/10
		Complete a bidding process and obtain approval of the Ministry of Health & Family welfare and World Bank Bangladesh for a Pre shipment inspector for procurement packages commencing with 2012/13 procurement	31/12/10
6	Assist Desk Officers with bid document authentication process by developing the methodology and tools to do this. (This activity is carried out by Desk Officers prior to the meeting of Tender (Bid) Evaluation Committee meeting/s. It is a requirement that places a significant responsibility on Desk Officers. Assisting them to undertake this responsibility is a key task for SPS)	Approval from the Director General of DGFP for a Standard Operating Procedure (SOP) to guide Bid Authentication.	30/4/10
		Complete a capacity building training exercise for all Desk Officers on SOP	30/6/10
		Conduct training	
7	Improve management reports such as the Family Planning Monthly Logistics Report, Family Planning Logistics Pipeline Report, and the DGFP Contraceptive Inventory Tracking Report (2008–11) for them to provide concise high level information that could be used by senior management to be better aware of the status and also to facilitate taking corrective action where supply shortfalls or stock outs are anticipated.	Production of new Executive Management Report with inventory tracking information, anticipated stock outs, projected demand trends and other relevant highlights	30/6/10

No	Recommendation	Deliverables	Target Completion Date
8	Undertake a detailed work study analysis to explore avenues to reduce overall lead time. (Current lead time of 20 – 24 months is long and it requires DGFP to carry an inventory in excess of this lead time. Reduction in lead time will result in the need for less inventory and therefore less funds being tied up in inventory. The purpose of the study is to identify aspects of the procurement cycle that could be done more efficiently and effectively by persons responsible for those aspects)	Work Study Report submitted to Director DGFP	30/6/10
9	Develop an electronic procurement tracking mechanism, such as one that will track packages until World Bank NOCs are given for the consolidated procurement plan for use by the Assistant Director of Foreign Procurement and another for use by desk officers for individual packages included in the consolidated procurement package. (There is no formal tracking procedure either manual of electronic that assists DGFP staff to readily identify the status of procurement packages, and to identify possible stock outs due to delays in progressing components of packages. Two separate tracking mechanisms or two sub sections within one mechanism is suggested for use by the relevant staff members. This tracking mechanism should be web based or Intra Net based and have a view only function for senior DGFP staff to access information on status of packages)	Electronic Tracking Mechanism signed off by the DG/DGFP	30/5/10
		Training conducted for all Desk Officers and senior DGFP staff	30/8/10
10	Oversee this tracking and submit management reports to senior management at monthly meetings with the DGFP Director General. SPS to follow up on corrective action taken at meeting with DG/DGFP. (It is suggested that relevant information from this racking mechanism is included in the monthly Executive Management report that will be introduced from 30/5/10 – see recommendation 7)	Process to extract relevant information is completed and information included in Monthly Executive Management Report	30/5/10
11	Facilitate coordination with World Bank officials on all NOC application processes.	Information on facilitation provided included in monthly report from SPS Procurement Consultant based in DGFP to SPS Country Director.	Information included in monthly report commencing 1st March 2010
12	Develop standard operating procedures that describe the entire procurement cycle identifying responsibilities for each	Development of SOPs for Procurement and Inventory Management	30/6/10

No	Recommendation	Deliverables	Target Completion Date
	component, time frames, and impact of delays/shortcomings of each component on preceding and succeeding linkages in the chain. This document should be integral to all procurement training activities. (This has been identified as an urgent need by the DG/DGFP and USAID. It is accepted by them that these should become the basis for capacity building and therefore training materials should be based on these SOPs)	Completion of training of DGFP staff in the Line Directorate for Procurement & Logistics on SOPs for procurement and inventory management.	31/7/10
		Development of SOPs for all other key components of the supply chain (procurement cycle, Warehouse Management etc)	30/6/11
		Completion of training for key staff in warehouses (central and regional) on SOPs for Warehouse management and developing teams of trainers drawn from regional warehouses to train relevant staff in Upazila centers.	30/9/11
		Completion of training for relevant staff associated with different aspects of the supply chain on SOPs relevant to them.	30/9/11
13	Introduce an inventory control management and forecasting cell within DGFP to coordinate inputs to, and decisions of, the DGFP Forecasting Working Group. The inputs include submission of on hand stock position, on order information, yet to be processed information, trend analysis, lead time analysis, etc. This cell will also act as a monitoring unit to report on progress of procurement processes. Its function should not be considered part of the warehousing function but should be independent of it; at the initial stage it could be managed by SPS with supporting staff drawn from DGFP.	DGFP Inventory Control Management Unit approved by the DG/DGFP. It is suggested that this Unit be headed by an Assistant Director at DGFP and should ideally report to the Director General considering the wide scope of its activities and the need to liaise with several Directorates of DGFP.	30/9/10
14	Assist the ongoing rollout of Web based Logistics Management Information System (LMIS), Warehouse Management Information System (WIMS), and Upazila Management Information System (UIMS).	UIMS exists in 123 Upazilas (functioning in 91 Upazilas); Web based LMIS and WIMS are functioning in all 21 Warehouses	Ongoing
		Proposed deliverables: Information systems strengthened in existing Upazilas (Note: roll out may be done next year)	
15	Develop stock monitoring software that will facilitate central monitoring of stock levels and stock movement to levels decided by the DG/DGFP.	Web based or Intranet based software developed and introduced. (The present reporting system provides real time information from only the Central warehouse. The intention is to progress towards having real time information from at least all regional warehouses)	30/09/10

No	Recommendation	Deliverables	Target Completion Date
16	Conduct a capacity gap analysis of stock control and storekeeping facilities, officers capacity, succession plans, conformity with rules and regulations, challenges faced by staff and their training and development needs up to Upazila level. Such an analysis is needed to identify and develop a long term plan to consolidate gains already made and to ensure the warehousing system and staff capacity is developed to meet RH commodity availability and access to clients to all peripheral levels. It is suggested that this plan is developed for the same period as the forward demand forecast noted in recommendation 3, task 2, that is from 2011 to 2016.	Submit report on gap analysis at Central Warehouse	30/7/10
		Submit a gap analysis report at all regional warehouses	30/9/10
		Submit a gap analysis report for Upazila facilities	31/11/10
		Submit a long term plan warehousing consolidation and sustenance plan for period 2011 to 2016 to the Director General/DGFP	31/12/10
17	Training in ongoing procurement. Orient new staff and provide refresher training for current staff with a view to developing a pool of officers who have had some exposure to NCB and ICB bidding processes and components of the lead time.	Refresher training module completed	30/8/10
		Refresher training conducted for all non Logistics staff nominated by the DG/DGFP	31/10/10