HE²RO Policy Brief

Number 43 · June 2021

HIV, AIDS, TB AND COS PROCUREMENT PROCESSES AT DISTRICT LEVEL

Introduction

Procurement planning is part of the District Health Plan (DHP) development process which involves a needs analysis of health facility and sub-districts. The needs analysis includes assessment of skills to inform the Human Resources Plan which is an important element in the DHP process. During the procurement process, the districts formulate a document referred to as the *demand plan,* or a *wish list* of purchases for the next financial year. The demand plan is completed between February and March each year when the provincial HIV, AIDS, STI and TB (HAST) business plan is finalised in each province. The demand plan is only adopted once the budget has been loaded onto the Basic Accounting System (BAS) by the provincial health budget office.

Methods

The data collection process involved facilitated district-level focus group discussions between the FINCAP project team and the district health directors, HIV, AIDS, STI and TB (HAST) coordinators and managers and support staff. Some districts brought on board sub-district coordinators responsible for the management and/or coordination of health facilities. These meetings took place between August and November 2019.

Location of procurement roles and authority

District HAST procurement is centralised at the Provincial Department of Health (PDOH). However, districts are given a procurement delegation (or authorisation) of a maximum of R500 000 per item. Maximum delegations depend on the structure level at which items are being procured. The maximum delegation is R200 000 per item for district hospitals and R500 000 for district offices. The facilities do not procure on their own supplies, but are allowed to issue payment requisitions for their orders either to the district (via the sub-districts) or to the regional hospitals or community health centres (CHCs), or their so-called *'mother facilities'.* Therefore, different structures at the district level are required to develop procurement plans aligned to their specific delegations. Items costed above the limit must be flagged for processing at provincial level. While district hospitals are generally authorised to procure for themselves and their feeder clinics, the procurement of antiretroviral drugs (ARVs) is centralised at the province for some districts. Hospital requisitions are done by pharmacists or their assistants and are guided by patient data and facility visits and not by procurement plans approved by provincial managers.

The district HAST budget is allocated by the District Health Office (DHO) to regional hospitals and district health management teams (DHMTs) to manage orders and spending. However, the bulk of spending is procured via the provincial and national contracts for ARVs, Test Kits, and Condoms.

In some provinces procurement plans are loaded onto an online portal, while others still use paper-based and manual procurement systems, which are often slow to process due to lengthy bureaucratic processes.

Procurement reporting

Once the HAST items have been successfully procured, the districts generally use a bottom-up approach for reporting of financial data. The district expenditure review meetings are coordinated by the district finance team on a weekly and monthly basis. The main aim of these meetings is to provide insight into the district expenditure progress and performance. The district finance team provides expenditure reports to all internal stakeholders for reflection using expenditure data captured in government's Vulindlela or Basic Accounting System (BAS) files. During these meetings the indicators for actual expenditure records are compared to the planned targets and any deviations from the plans are analysed using root cause analysis and remedial actions developed with specific timelines.

Procurement challenges

Discrepancies between demand plans and approved budgets

District procurement planning is highlighted as one of the areas that needs improvement by most districts. The FINCAP team identified problematic issues in procurement. First, procurement was described as misaligned with the approved district business plans and budget allocations, creating major spending challenges by the DHO and its sub-structures. District managers must correct the discrepancies between plans and budgets during the financial year, usually done during the second quarter. However, until the flagged discrepancies are corrected, there is limited spending on general items except for non-negotiables such as salaries, ARVs, HIV test kits, and TB drugs.

Centralisation of procurement at provincial level

Districts have raised concerns about how the centralised procurement approach used by provinces undermines district procurement planning. Some shared a feeling that district procurement planning is done only for formalities and compliance purposes because their perception is that the provincial procurement decisions are usually not informed by district procurement plans, and eventually not aligned to budget allocations. District level programme managers expressed frustration with the centralised processing of orders at PDOH which causes lengthy turn-around times, resulting in service delivery delays. The turnaround time differs from district to district, for various items and depending on whether the service provider is already contracted or not. There is often a problem when there is only a sole supplier in the district where orders take longer, but if there are 3 or more suppliers from which to obtain quotes then the process becomes relatively faster.

In addition, some districts reported that sometimes the requisition of some items that are approved in the HAST business and procurement plans is declined by provincial financial managers without explanation. Supply challenges are exacerbated if this happens after having already waited a long time for procurement decisions to be made. Procurement centralisation at provincial levels related to target setting was also identified as a challenge where targets are provided by the provincial managers seemingly without much consideration of the targets that are developed by the district managers and largely ignores available capacity and resources at district level. The suggestion was that rather than imposing decisions, provincial involvement should be about supporting districts and facilities to increase their service coverage to meet community health needs.

Patient registers and data systems

Issues include delays in receiving patient registers where printers fail to deliver as required. Because of this, challenges extend from difficulties in registering patients to collection and dissemination of performance statistics for accountability. To reduce these problems, facilities adopt workarounds to get the work done. For example, district managers reported that blue (male) folders are sometimes used for females due to a frequent shortage of female registers. If these blue folders run out facilities resort to data recording using exercise books, with the risk that details will be lost and capturing becomes difficult. Districts are requesting the provinces find an alternative solution as the government printers who present as an alternative to outsourced printers are also failing to deliver due to printing demands of all government departments.

Product descriptions

The lack of product descriptions and specifications was reported to be another bottleneck for efficient procurement activities. Some districts mentioned that there is no document that describes the specifications for the items that need to be procured, and they often experience challenges with suppliers that require detailed specification of the item or medicine being procured. However, in some districts there is a “Specifications Evaluation Committee” that sits monthly with supply chain management (SCM), forensic, monitoring and evaluation (M&E) and other teams to assist in finalising the specifications.

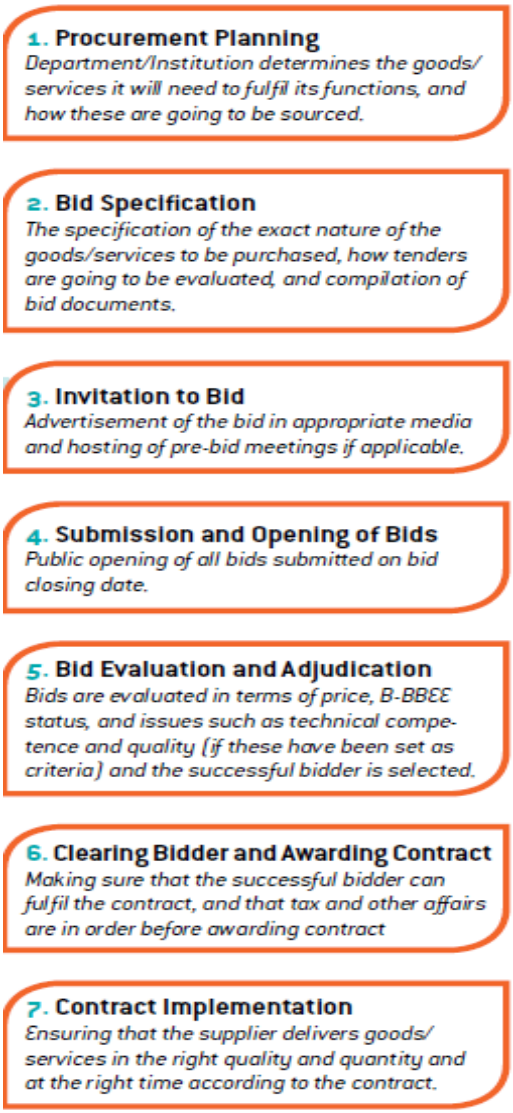
Human capacity to manage procurement

Insufficient human resources are a significant risk to the success of any programme. District engagement identified another general concern across districts about shortage of staff which affected not only front-line service delivery, but also procurement. The ongoing vacancies of key finance and procurement functions continued to impede the ability of districts to deliver. Districts reported that high vacancy rates amongst administrative staff, including staff with relevant procurement/finance expertise, has compromised district capacity which usually leads to rejections of procurement plan batches or requests that eventually contribute to serious procurement backlogs.

Procurement structures and the tender process

The district procurement process involves a multiplicity of procedures to follow, including the tender process which can hamper procurement.

Diagram 1: The public procurement process in South Africa



Source: Adopted from Van der Westhuizen C (2015), IBP.

There are district supply chain committees that verify purchase orders regularly, usually bi-weekly. District SCM, Finance Manager (FM), Corporate Manager, Risk Manager, IT Manager and HAST programme managers (PMs) form part of these supply chain committees. They check for compliance, regularity of the process and the specifications.

It was noted that an interface exists between Provincial Pharmaceutical Supply Depots (PPSD) and the district procurement processes, which unfortunately is often compromised yet critical. Characteristic of this compromise is erratic/unreliable delivery of some goods and services ordered from the PPSD. Where delivery is delayed or hindered there is rarely any feedback provided to programme managers explaining reasons for non-delivery. This sometimes leads to stockouts of essential goods. In addition, because of government's austerity measures and governance requirements certain procurement procedures must be followed, which can slow the procurement process. The procedure includes the involvement of various committees described below.

Cost Containment Committees

District Cost Containment Committees (DCCC) need to approve purchase orders before they are actioned. The cost containment appraisal process starts between facility and subdistrict, goes on to the district, and then gets finally approved or disapproved at the provincial level by the Provincial Cost Containment Committees (PCCC) if the procurement delegation is at the provincial level. Ideally, the Provincial Cost Containment Committees (PCCC) are supposed to meet weekly to monitor the current cost containment within each province, but hardly get time to meet to fulfil this requirement, resulting in delayed procurement. Because of the procurement structures in place, in the event that a procurement order is disapproved it usually takes long time to restart the requisition process before final approval.

Bid Evaluation Committee

Major delays in the procurement process are reportedly due to various factors which include the requirement of three quotations before purchasing. The Bid Evaluation Committee process is also seen as "cumbersome", delaying the delivery of procured goods and services, especially where it is difficult to get quotes from more than one or two suppliers; but once all three quotes are ready the process moves faster.

Though the bidding process is only at provincial and national levels, this often delays the delivery of pharmaceutical products, and other items that are centralised at provincial and national levels but used at district and facility levels.

Budget Advisory Committee

The Budget Advisory Committee's main objective is to provide support to the DHMT in taking budgetary decisions. The committee provides recommendations and key information to the DHMT on short- and medium-term financial management issues. The committee assists the DHMT in budget prioritisation for effective utilisation of the available resources. The committee also ensures that there are transparent and consultative budgeting processes.

Financial control committee and expenditure control committee

The Financial Control Committee (FCC) and the Expenditure Control Committee (ECC) involve finance managers, district coordinators and procurement managers to track expenditures on a weekly and monthly basis and provide suggestions where needed on financial expenditure.

Recommendations

Discussions with district health officials led to a conclusion that the identified financial management bottlenecks hindering provincial and district spending on service delivery are a consequence of poor planning, budgeting and procurement procedures. To address the issues, district health officials identified budgeting, procurement, project management and expenditure procedures and analysis as important knowledge areas and skills they required to enable themselves to effectively manage and expend district funds with desired results at district level.

- To tackle the delay in requisition, districts recommended that suppliers' contracts should be managed at the district level for a faster turn-around time, since some of the provincial contracts are only based in bigger cities and far from most service delivery sites. Having suppliers contracted at the district level could improve ordering, delivery and distribution of essential goods and services.
- To improve communication between different teams, a recommendation was made that programme, finance, and procurement staff should, moving forward, be involved in collective business planning for the district HAST plans; and that they should participate in district quarterly performance reviews to keep everyone updated and hopefully reduce miscommunication and misunderstandings which affect service delivery.
- As a capacity building effort district teams also recommended that trainings and support on financial management be provided more holistically to allow for a wider spread of awareness and skills. This is also an area that would benefit from enhanced co-operation with sub-district initiatives and should not be seen as the sole responsibility of provinces or districts to address. Progress in these areas of capacity strengthening should be monitored to assess changes in efficiency of expenditure and quality of service delivery over time.

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Funding Statement: This work was funded by the United States Agency for International Development (USAID) through co-operative agreement 72067419CA00004. The authors' views expressed in this publication do not necessarily reflect the views of USAID or the United States Government.

Recommended citation: Karume J, Ndlovu N, Onoya D, Mokhele I, Nattey C, Sineke T and Miot, J. Communication challenges in HIV and TB programming and financial management at district level. HE²RO Policy Brief Number 43, Health Economics and Epidemiology Research Office, May 2021.