



## E-Bulletin



P u b l i c P r o c u r e m e n t A u t h o r i t y

# IMPROVING EFFICIENCY IN PUBLIC PROCUREMENT THROUGH EFFECTIVE CONTRACT MANAGEMENT

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**C**ontract Management in public procurement is the systematic process of managing the effective delivery of goods and the completion of works or services. It ensures that both Service Providers and Procurement Entities meet their contractual obligations and allows for effective analysis of operational and financial performance while minimizing risks.

Contract management, according to the *Support for Improvement in Governance and Management (SIGMA)* programme (Brief 22) of the OECD and EU can be broadly grouped into three (3) areas, namely:

1. Delivery Management;
2. Relationship Management; and
3. Contract administration.

**Delivery management** ensures that whatever is ordered is delivered to the required level of quality and performance as stated in the contract. It may include checking the nature, quantity and quality of:

- ⇒ goods supplied – on delivery;
- ⇒ works carried out – including conformity with designs and drawings, quality of workmanship and materials; and
- ⇒ Services performed – including checking that required service levels and timescales are met.

**Relationship management** seeks to keep the relationship between Service Providers and Procurement Entities open and constructive, with the aim of resolving or easing tensions and identifying potential problems at an early stage,

(Continued on page 4)

## Online Activities

### List of entities that have submitted their 2015 Procurement Plans online As At February 27 , 2015

- |  |   |
|--|---|
| 1. Accra Polytechnic                             | 36. Ghana Institute of Journalism                       |
| 2. Akim Oda Government Hospital                  | 37. Ghana Investment Fund For Electronic Communications |
| 3. Akwapim North                                 | 38. Ghana Investment Promotion Council                  |
| 4. Akwapim South Municipal Assembly              | 39. Ghana Library Board                                 |
| 5. Atebubu College of Education                  | 40. Ghana National Fire Service                         |
| 6. Atua Government Hospital                      | 41. Ghana National Petroleum Corporation                |
| 7. Bank of Ghana                                 | 42. Ghana Police Service                                |
| 8. Begoro Hospital                               | 43. Ghana Ports And Harbours Authority                  |
| 9. Bolgatanga Municipal Assembly                 | 44. Ghana Reinsurance Company Ltd                       |
| 10. Bolgatanga Polytechnic                       | 45. Ghana School of Law                                 |
| 11. Christ The King Catholic School              | 46. Ghana Standards Authority                           |
| 12. Controller And Accountant General Dept       | 47. Ghana Water Company Limited                         |
| 13. Copyright Administration                     | 48. Ghana-India Kofi Annan Center of Excellence         |
| 14. Council of State                             | 49. Grains And Legumes Development Board                |
| 15. Dadease Agriculture Senior High School       | 50. Ho Polytechnic                                      |
| 16. Department Of Urban Roads                    | 51. Institute of Local Government Studies               |
| 17. District Assembly Common fund                | 52. Internal Audit Agency                               |
| 18. Driver and Vehicle Licensing Authority       | 53. Jasikan District Assembly                           |
| 19. East Akim Municipal Assembly                 | 54. Keta Business Senior High School                    |
| 20. Economic and Organised Crime Office          | 55. Ketu District Hospital                              |
| 21. Ejisuman Senior High School                  | 56. Ketu North District Assembly                        |
| 22. Energy Commission                            | 57. Koforidua General Hospital                          |
| 23. Environmental Protection Agency              | 58. Komenda/ Edina/ Eguafo /Abirem                      |
| 24. Export Development and Investment Fund       | 59. Komfo Anokye Teaching Hospital                      |
| 25. Fanteakwa District Assembly                  | 60. Korle bu Teaching Hospital                          |
| 26. Foods and Drugs Board                        | 61. Krachi West District Hospital                       |
| 27. Ghana Academy of Arts And Sciences           | 62. Kwaebibirem District Health Directorate             |
| 28. Ghana Airports Company Limited               | 63. Kwahu West  |
| 29. Ghana Broadcasting Corporation               | 64. Local Government Service Secretariat                |
| 30. Ghana Civil Aviation Authority               | 65. Management Development And Productivity Institute   |
| 31. Ghana Cocoa Board                            | 66. Mankessim Senior High Technical School              |
| 32. Ghana Cocoa Board - Quality Control Division | 67. Minerals Commission                                 |
| 33. Ghana College of Physicians and Surgeons     | 68. Ministry of Chieftaincy and Traditional Affairs     |
| 34. Ghana Grid Company Limited                   | 69. Ministry of Communication                           |
| 35. Ghana Immigration Service                    | 70. Ministry of Education                               |



71. Ministry of Employment And Labour Relations
72. Ministry of Energy And Petroleum
73. Ministry Of Environment Science And Technology
74. Ministry of Foreign Affairs And Regional Integration
75. Ministry of Health
76. Ministry Of Roads And Highways
77. Ministry of Women and Children Affairs
78. Municipal Health Administration-Nsawam Adoagyiri
79. National Board for Professional And Technical Examinations
80. National Communication Authority
81. National Development Planning Commission
82. National Film and Television Institute
83. National Identification Authority
84. National Lottery Authority
85. National Petroleum Authority
86. National Population Council
87. National Service Secretariat
88. New Juaben Municipal
89. New Tafo Hospital
90. Nursing and Midwifery Council of Ghana
91. Office of the Regional Health Directorate – Brong Ahafo Region
92. Office of the Regional Health Directorate – Upper West Region
93. Peki Senior High Technical School
94. Petroleum Commission
95. Pharmacy Council
96. Potsin T.I. Ahd. Senior High School
97. Precious Minerals Marketing Corporation
98. Prempeh College
99. Psychiatric Nursing Training School
100. Public Procurement Authority
101. Registrar Generals Department
102. S.D.A. College of Education - Asokore
103. Savannah Accelerated Development Authority
104. School of Allied Health Sciences

105. School of Anesthesia - Ridge Regional Hospital
106. SIC Life Company Limited
107. Social Security and National Insurance Trust (SSNIT)
108. Sogakope District Hospital
109. St. Augustine's College
110. St. Johns Senior High School
111. St. Joseph's College of Education
112. St. Monica Training College
113. Students Loan Trust Fund
114. Suhum Municipal Assembly
115. Sunyani Polytechnic
116. Takoradi Polytechnic
117. Tamale Polytechnic
118. Tamale College of Education
119. Tarkwa Nsuaem Municipal Assembly
120. Tema Development Corporation
121. Tema Metropolitan Assembly
122. Tetteh Quarshie Memorial Hospital
123. University Ghana School of Pharmacy
124. University Of Cape Coast (UCC)
125. University of Energy and Natural Resource
126. University of Ghana Business School (UGBS)
127. University of Health and Allied Sciences
128. University Of Science And Technology (KNUST)
129. University Prac. Senior High School
130. Upper Denkyira East Municipal Assembly
131. Uthman Bin Afan Senior High School
132. Volta Regional Hospital
133. Volta River Authority
134. Wa General Hospital
135. Wa Polytechnic
136. West African Examination Council
137. West Mamprusi District Assembly



(Continued from page 1)

while also identifying opportunities for improvement. Relationships must be wholly professional throughout and must include a professional approach to managing issues and dispute resolution.

**Contract administration** seeks to preserve the integrity of the contract. It covers the formal governance of the contract and any permitted changes to documentation during the life of the contract. This area of contract management ensures that the everyday aspects of making the contract run effectively and efficiently are taken care of.

Although an important component in public procurement, contract management continues to be the bane of public procurement in Ghana. Statistics from the 2013 assessment exercise conducted by the PPA reveals a worrying trend in terms of nation-wide contract management performance of 47.97% compared to 45.51% in 2012. As a matter of fact, the failure of effective contract management has often led to shoddy works, delays in delivery, increased downtime and cost overruns among others.

Some of the risks associated in contracts that can compromise the realization of value for money, include: instances of variations in price and foreign exchange, failure of parties to fulfil the conditions of contracts, commencement of work before the issuance of contracts, unauthorized increase in scope of work, non-inclusion of essential clauses to cover incidences such as loss or damage to goods in transit, fraud etc.

To avert the negative consequences of poor contract management, procurement entities must institute contract management (ad hoc) teams together with the service providers that will supervise effective execution of specific contracts. Their roles will include en-

suring that prices and foreign exchange issues are well fixed (in accordance with sections 50 (s) & 61 of the Act 663) and the basis of price variations clarified. Price adjustment formula (where applicable) must also be included in all contracts.

Roles and responsibilities of both parties must also be clearly spell-out and enforced throughout the contract period.

Periodic inspections, and regular meetings of the contract management team must be held and a good records of progress of work kept. Moreover, every correspondence at the stage of contract management must be formalized. Efforts must also be made to maintain an ethical environment devoid of nepotism, cronyism, influence peddling and other corrupt and rent-seeking activities.

Additionally, the team must ensure that appropriate safety and standards for work are adhered to and only accept completed works or delivery of goods after strict inspections.

In cases of non-compliance and agitations on contracts, a prompt legal re-dress must be sought in order to ensure proper streamlining of issues.

Finally, considering the strategic role contract management plays in public procurement processes, the Public Procurement Authority has successfully developed modules on Contract Management which will be rolled-out for nation-wide training later this year. We encourage interested professionals and service providers to avail themselves for this all important programme.

*Rhoda Appiah*

*Principal Public Affairs Officer*

PPA



# IMPLICATIONS OF POOR CONTRACT MANAGEMENT ON VALUE FOR MONEY

**C**ontract Management can be described as the process where both parties to a contract meet their obligations in order to deliver the objectives and the terms and conditions of the contract. This involves building a good working relationship with the service provider. It also continues throughout the life of a contract and involves managing proactively so as to anticipate future needs as well as reacting to situations that arise. It is an arguable fact that one of the key aims of managing contracts is to obtain the terms and conditions as outlined in the contract and achieve value for money.

Value for money on the other hand is using resources effectively, economically, and without waste, with due regard for the total costs and benefits of an arrangement and its contribution to the outcomes the entity is trying to achieve. The principle of value for money in procurement does not necessarily mean selecting the lowest price, but rather the best possible outcome for the total cost of ownership, i.e. whole-life cost. Value for money is achieved by selecting the most appropriate procurement method that minimises risk and enhances value of the procurement and not necessarily by using a competitive tender. Value for money thus looks at buying a product or service with the lowest whole-life costs that is 'fit for purpose' and meet the required specification.

The following are some of the activities involved in good Contract Management:

- i) **The Monitoring of the Service Providers and Management of Acceptance:** these are procedures that enable the purchaser to ensure that the Service Providers execute their duties and fulfill their obligations in accordance with the contract. It also allows the purchaser to identify early, any warning signs of risk that may arise and thus proceed with their timely mitigation;
- ii) **Management of the Relationship with the Service Providers:** this involves initiatives and actions of the Contracting Authority to build and maintain a good relationship with the Service Providers. This should be based on mutual understanding, trust, good and frequent communication and the timely management of any problems that may arise;
- iii) **Contract Administration:** these are administrative procedures that should be adhered to so as to ensure the effective execution of the contract. They include Keeping the contract in updated form; Control and management of variations and/or amendments to the contract; Prompt payments to the Service Provider; Asset management; Drafting of reports; and Termination of the contract should the need arise;
- iv) **Dispute Resolution:** these are procedures for the selection and application of the optimum method for the resolution of disputes with the Service Provider; and
- v) **Contract Closure:** this refers to the control and certification procedures that both parties have discharged their contractual obligations as well as procedures to evaluate the extent to which the contract was successfully executed and led to the expected result.

Effective management of contracts help organisations to achieve the following among many other benefits: items are delivered on time, enhances the credibility of the Procurement Function, helps avoid cost overruns, ensures that services are delivered within the required specification and at the agreed cost, helps to identify non-performing suppliers especially where the supplier's performance is evaluated throughout the execution of the contract.





Additionally when procuring entities secure the relevant securities (e.g. Performance Security and Advance Payment Guarantee) the Service Providers deliver within the terms and conditions of the contract so as not to lose money which would be additional cost to their businesses.

The following factors among others can lead to poor contract management:

- ⇒ Poor specifications writing;
- ⇒ Bad record keeping and poor filing;
- ⇒ Inadequate resources or skilled personnel assigned to contract management;
- ⇒ Lack of supervision and poor communication;
- ⇒ Pursuing individual supplier interest and corruption;
- ⇒ Poorly drafted contracts, changes of needs after contract signing as a result of varying requirements and/or amendments to the contracts;
- ⇒ Lack of co-ordination within members of the contract management team;
- ⇒ Duties and responsibilities of the contract management team not well defined; and
- ⇒ Lack of synergistic approach on both parties in executing a contract.

Organisations which do not manage their contracts effectively will be at a tremendous competitive disadvantage due to the following:

The Service Provider can take full control, resulting in unbalanced decisions that do not serve the purchaser's interest;

Decisions are not taken at the right time – or not taken at all (non-performance);

Progress is slow or there seems to be an inability to move forward;

The intended benefits are not realised;

Delays in performance and/or contract execution, i.e. inability to meet contract deadlines;

Contract price variations due to inaccurate estimates leading to cost overruns;

Opportunities to improve value for money and performance would be missed;

- ⇒ The contract becomes unworkable (breach of terms and conditions) which may eventually lead to a legal battle between the parties;
- ⇒ Lead to lack of credibility of the Procurement Function; and
- ⇒ Services are not delivered at the required specification.

In order to effectively and efficiently manage contracts, the following should be taken into consideration by all procuring entities:

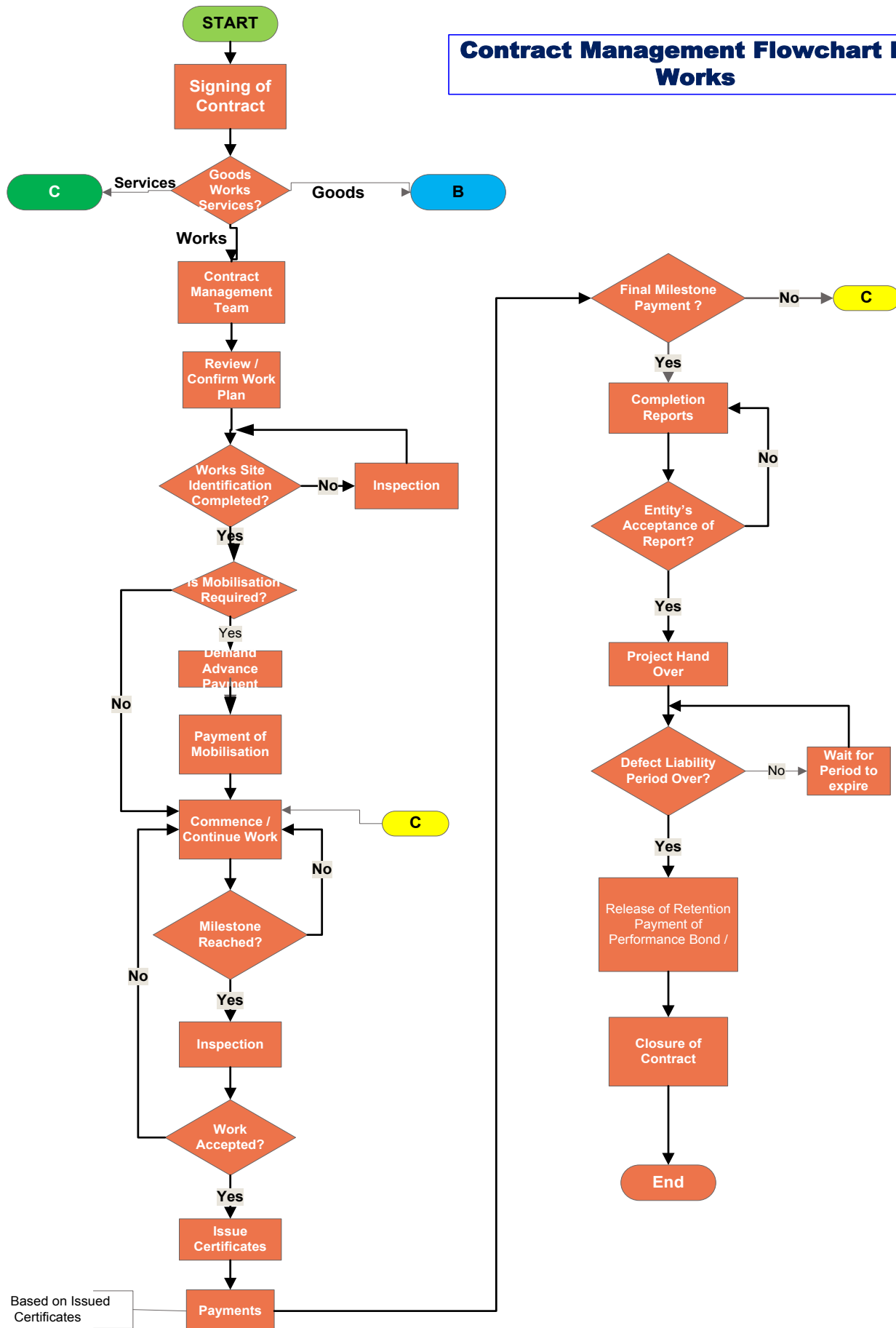
- ⇒ There should be co-operation and understanding between the Procurement Unit and the various Functional Units of the Entity to ensure that contracts are well managed;
- ⇒ Those assigned contract administration functions must be made aware of the expectations and requirements of their positions;
- ⇒ A Contract Administrator must have sufficient knowledge of contracting principles as it relates to their responsibilities in administering the contract;
- ⇒ Develop a long-term improvement plan and improve post award contract management;
- ⇒ Improve customer relationships;
- ⇒ Improve employee morale; and
- ⇒ Maintain records or logs so as to properly monitor the completion of the contract.

In conclusion, contract management, if done well, should ensure that the Service Provider delivers the levels of quality required. With public organisations under increasing pressure to secure improved outcomes at lower costs, it is essential that services provided by private and public sector partners are procured through fit for purpose contracts by using the procurement process effectively and efficiently in addition to robust contract management so as to achieve value for money.

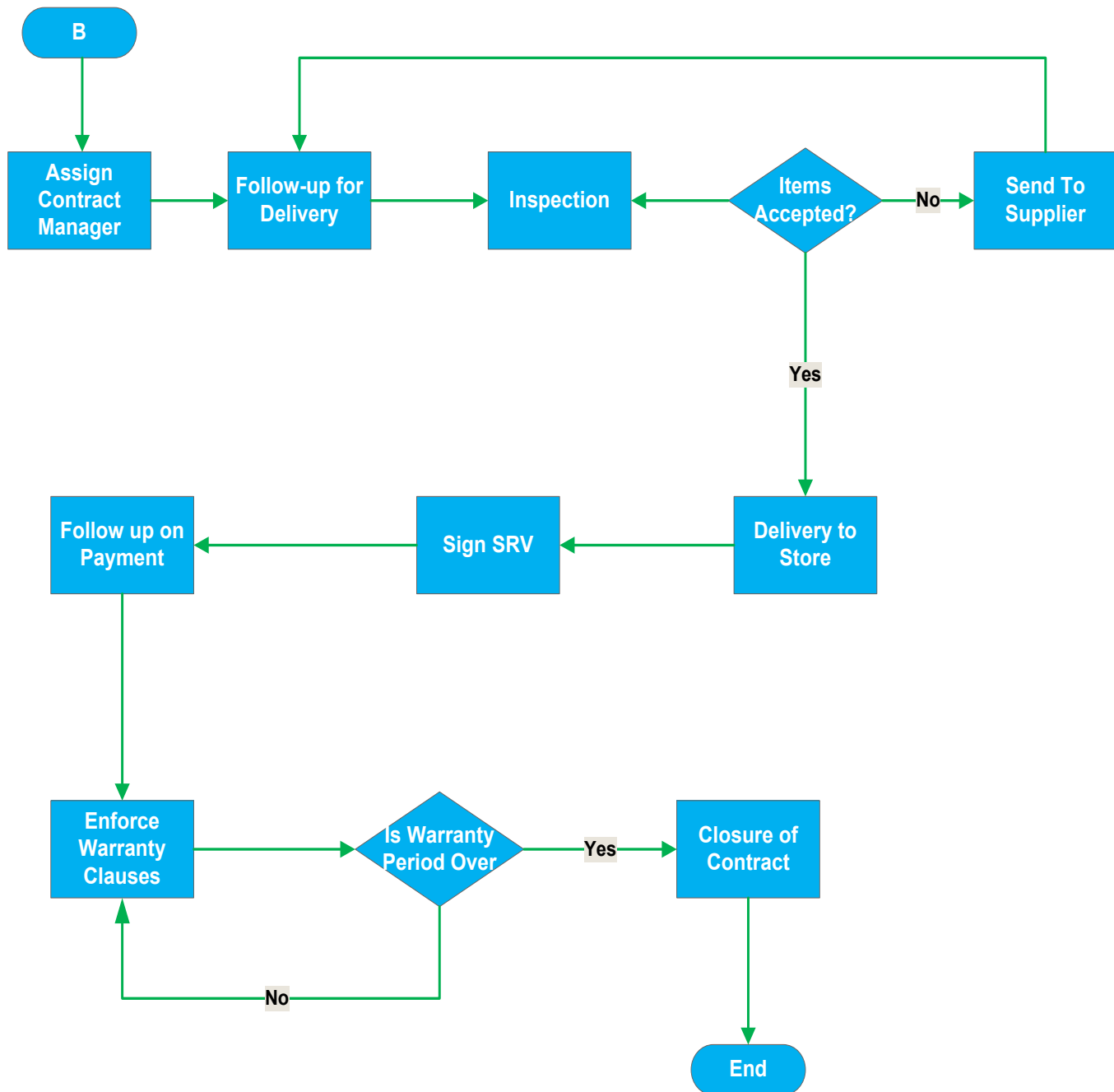
**EDWARD NKETIA-ASANTE**  
**DIRECTOR OF PROCUREMENT**  
**KNUST-KUMASI**



## Contract Management Flowchart For Works

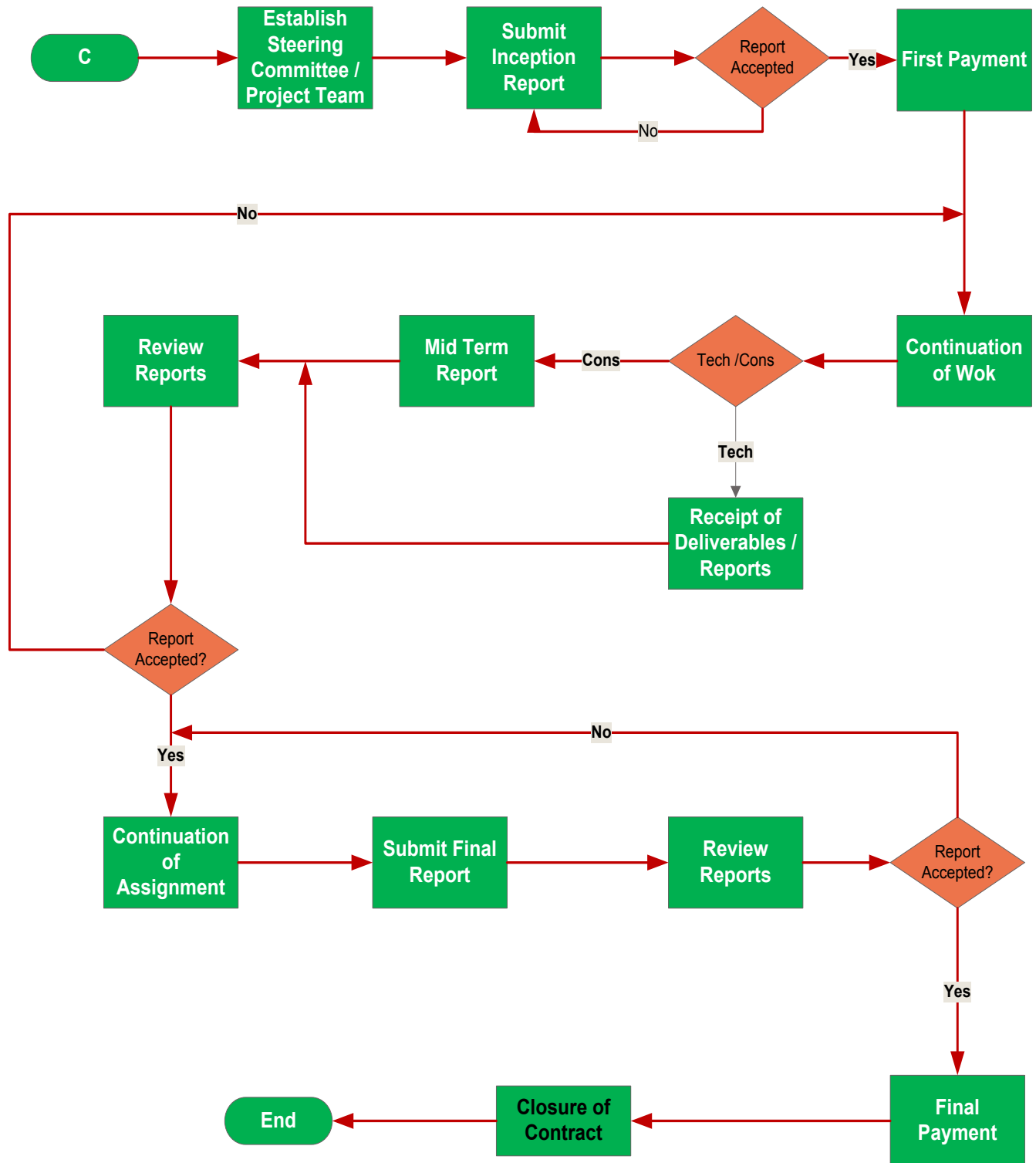


## Contract Management Flowchart For Goods





## Contract Management Flowchart For Services



# CONTRACT MANAGEMENT – A SURE PANACEA FOR EFFECTIVE PROCUREMENT MANAGEMENT

## 1.0 Introduction

**M**anaging relationships, review of contract details, financial budgets and risk are the key elements, certain for performance in any contract. Noting that it is a panacea for effective procurement management, the attention of the Public Procurement Authority is now shifting towards promoting contract management at the lowest level of contract implementation to reduce to the barest minimum the little, little waste that wipe away the benefits of the very laborious processes of awarding contracts to the best evaluated responsive tenderer.

There have been several claims that about 40% of waste in the procurement process occurs during contract management. It is therefore an area which calls for significant attention to enhance a positive total outcome from the procurement process. As the saying goes, “what you do not monitor, never gets done.” People will naturally want to enjoy the rights under a contract but are hesitant to discharge the responsibilities the contract imposes on them (to the later), especially where it inconveniences them or challenges their comfort.

Attaining best value for money after an extensive process of identification and award of a contract to the best evaluated responsive Tenderer or the most suited Service Provider, requires effective management of the execution of the contract to guarantee that the buyer gets exactly what the contract is signed for and will eventually pay for, while the seller also receives the related compensation.

This explains why the Public Procurement Planning Template as derived from Act 663 and best practice, requires that Entities' Procurement Plans include the contract management activities. It is anticipated that public procurements will be better delivered if only managers of contracts will ensure that every detail of the agreement is executed.

## 2.0 What is Contract Management

Contract management is commonly understood as a broader and more strategic concept that covers the whole procurement cycle including planning, formation, execution, administration and close out of a contract, however, the focus of this paper is on the actual administration of the execution of a contract to supply goods, undertake works or deliver a service to a buyer.

Generally, Contract Management is based on the idea that the contract is an agreement, a partnership with rights and obligations that must be met by both sides to achieve the goal. Contract management is not aimed at finding fault, but rather at identifying problems and finding solutions together with all contracting parties involved in the process.

Contract management ensures that all parties to the contract, efficiently and effectively meet their respective obligations; delivering the goods, works and services agreed on in the contract. It also protects the rights of the parties and ensures required performance when circumstances change. Contract management includes monitoring and documenting performance.

Each contract is a mini-project. It has a unique goal, consumes resources, has a beginning and end date, and requires coordination and planning of relevant activities, as well as documentation in a contract file throughout the process.

## 3.0 Who does What in the Process

Both the Buyer and the seller have a duty to ensuring effective management of contracts to their common benefit as provided for in the agreement. A lot of responsibility is however placed on the role the buyer plays to ensure that he obtains the best-value for every cedi he/the public sector parts with.

Depending on the organization and goods, services or works being procured, daily/regular monitoring of the contract must be placed in the hands of a contract



manager or a contract management team that is assigned the responsibility of ensuring delivery.

While for simple procurements, an individual could be appointed as a contract manager, for other projects it could be either by a Contract Management Team, Steering Committee etc. Contracts will definitely fail without proper contract management. Contract Managers must ensure that the contract is amended to reflect agreed changes in circumstances, and that any claim or dispute is resolved amicably according to the terms of the contract. Considering that payment is made by the Finance Office, it is necessary that Contract Managers continue to monitor the payment for the goods, works or services to avoid delays and over/under payments which undermine the effectiveness of the process. Contract close-out remains the responsibility of the Contract Manager.

#### 4.0 Stages in Contract Management

The stages of contract management are intended to ensure that the parties work together to achieve the objectives of the contract. The flowchart (curled from the website of the United Nations) below shows the stages in the contract management process which note that:

The process commences immediately with the signing of the contract. Both parties will have to familiarize themselves with the terms, conditions and responsibilities prescribed in the enabling contract.

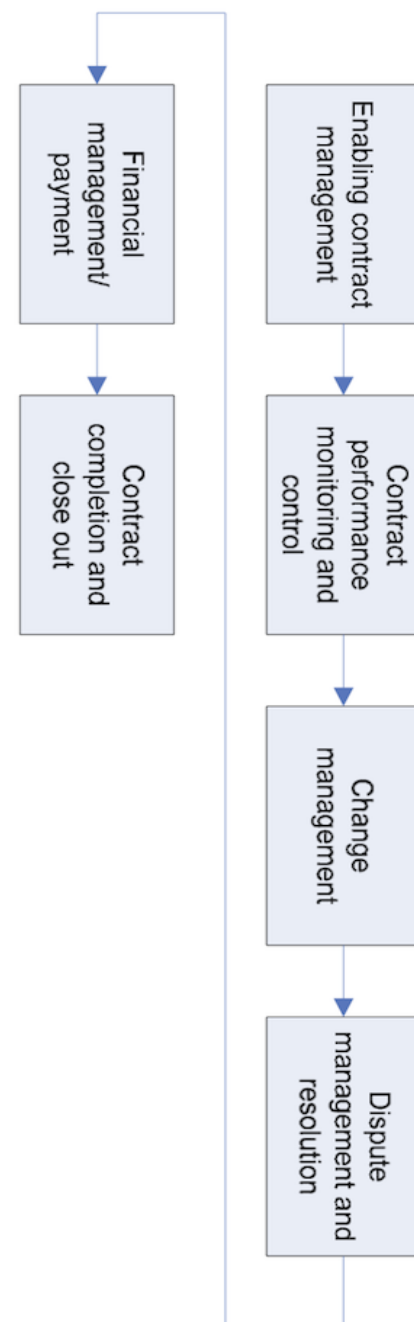
The Contract must be monitored and controlled to ensure that time lines/delivery schedules are met as agreed. Deviations must be immediately brought to the fore for agreed/approved amendments. Every contract manager must detail out clear targets and delivery milestones to guide the monitoring process.

Change is inevitable especially in long term contracts. The manner and speed with which change is managed has significant bearing on delivery of the project. Effective communication that generates more effective buy-ins as the scope/circumstances change is vital for implementation.

Budgets must be managed while payments need to be facilitated to avoid burdening the seller by withholding intended capital while the buyer also ensures the entity receives exactly has been paid for. Delays in payment are a major cause of the rising cost of public projects, since its likelihood is considered in determin-

ing the prices quoted by suppliers while there is an open secret of growing payments of interests charged by sellers on delayed payments by the public sector. It is sad to note that often times; the value of the interest on delays far exceeds the invoiced amount due to the long period of delays.

Finally, contract managers must ensure that projects are effectively closed after supervision, inspection and acceptance of the deliverables by the buyer. Payment of retentions, claims on warranties/guarantees, return of securities etc need to be given urgent attention to avoid surprises that spring up after both parties have assumed closure due to long silence.



## 5.0 What do you Manage in the Process

As mentioned in the beginning, the picture below provides an obvious detail of the critical components of contract management that contract managers need to pay attention to:

Management theorists believe that supervision is a prerequisite to getting the best from a team. By extension therefore, contract management is key to attaining value. I have not come across any argument yet that down-plays the importance of managing contracts. Best value in the procurement process can only be attained if maximum attention is given to the actual delivery of contracts for goods, works and services. Indeed, the “Sweetness of the Pudding is in the Eating” i.e the delivery on the contract is as important as the beautiful contract entered into.

As part of efforts aimed at enhancing effective contract management, let me give credit to the PPA for committing resources to the development of comprehensive contract management manuals to guide the management of contracts for Goods, Works and Services. Training is expected to commence in the first Quarter of 2014 to ensure that the capacity of contract managers is effectively built to manage public procurements which accounts for about 70% of total expenditure (after personal emoluments).

*Mrs. Yvonne Quansah*

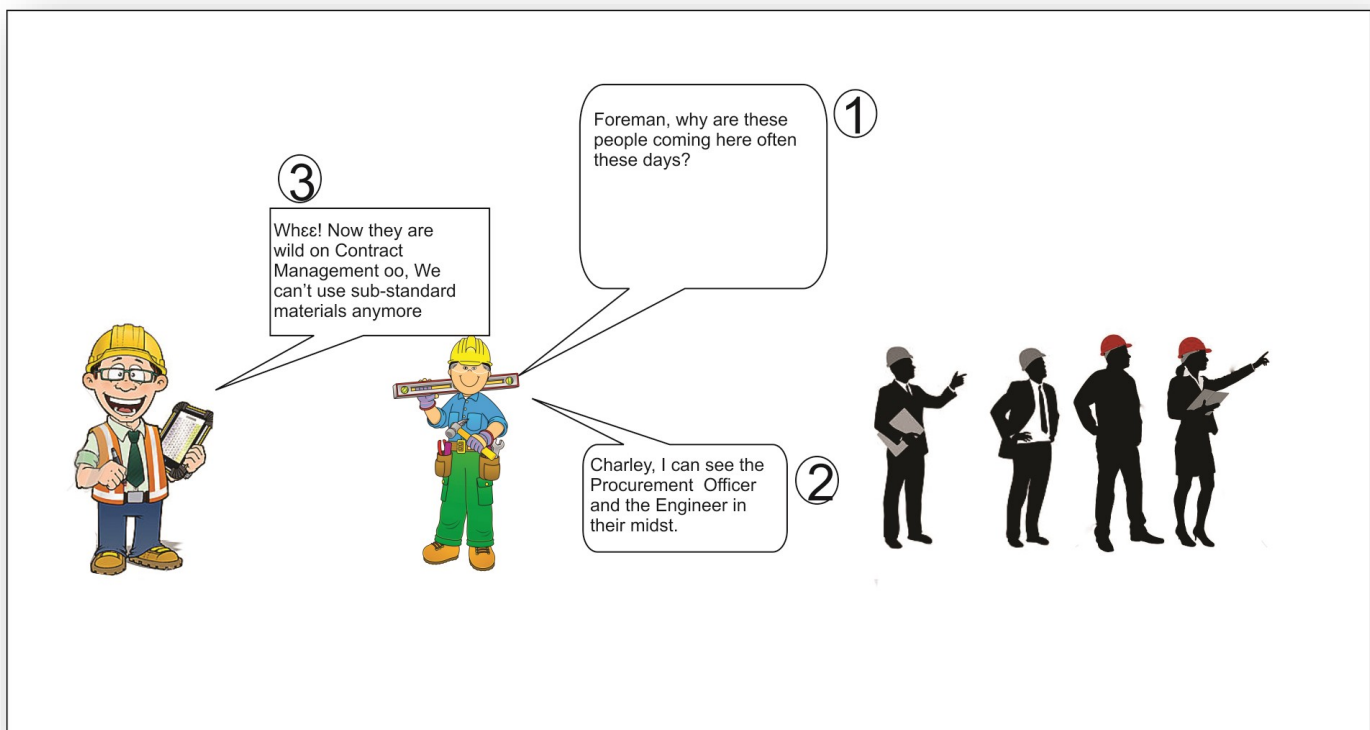
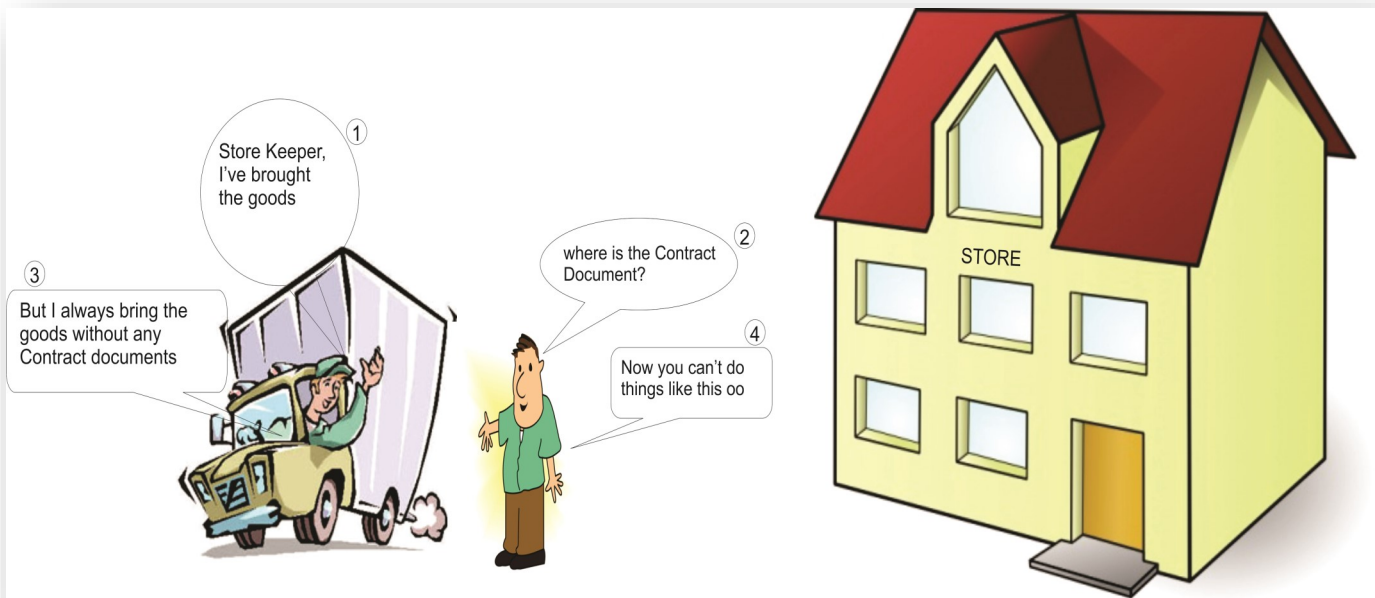
*Chief Operations Officer (HR/A)*

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Accra



## Procurement Humour



## Tendering and Contract Information for Periods Indicated

[Tendering Opportunities for Mar - Apr 2015](#)

[Contracts Awarded for Jan - Dec 2015](#)

[Restricted Tender Awards Jan - Dec 2015](#)

[Expression of Interest Requests Mar - Apr 2015](#)

The links above will take you directly to the PPA Website Reports for the months of period indicated.



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