

CIPS Health Procurement Africa Methodology

Reducing preventable deaths, improving budget efficiency and increasing financial self-sufficiency

CIPS Health Procurement Africa (CIPS HPA) is an initiative of the Chartered Institute of Procurement and Supply (CIPS) to support public healthcare institutions in moving to financial and operational self-sufficiency in the availability and affordability of critical healthcare products and technologies to reduce preventable deaths. CIPS HPA supports these institutions to strengthen their procurement strategies and operational practices. We support national, regional and continental pooled procurement and domestic manufacturing initiatives. CIPS HPA helps to professionalise healthcare procurement employees across the continent through an open-access knowledge hub tailored to their needs.

Methodology

CIPS HPA works with national and sub-national healthcare organisations to improve procurement strategy and processes. CIPS HPA has developed a methodology based on its Procurement Excellence Programme, which is adapted and applied to supporting healthcare procurement organisations. The methodology encompasses the following elements:

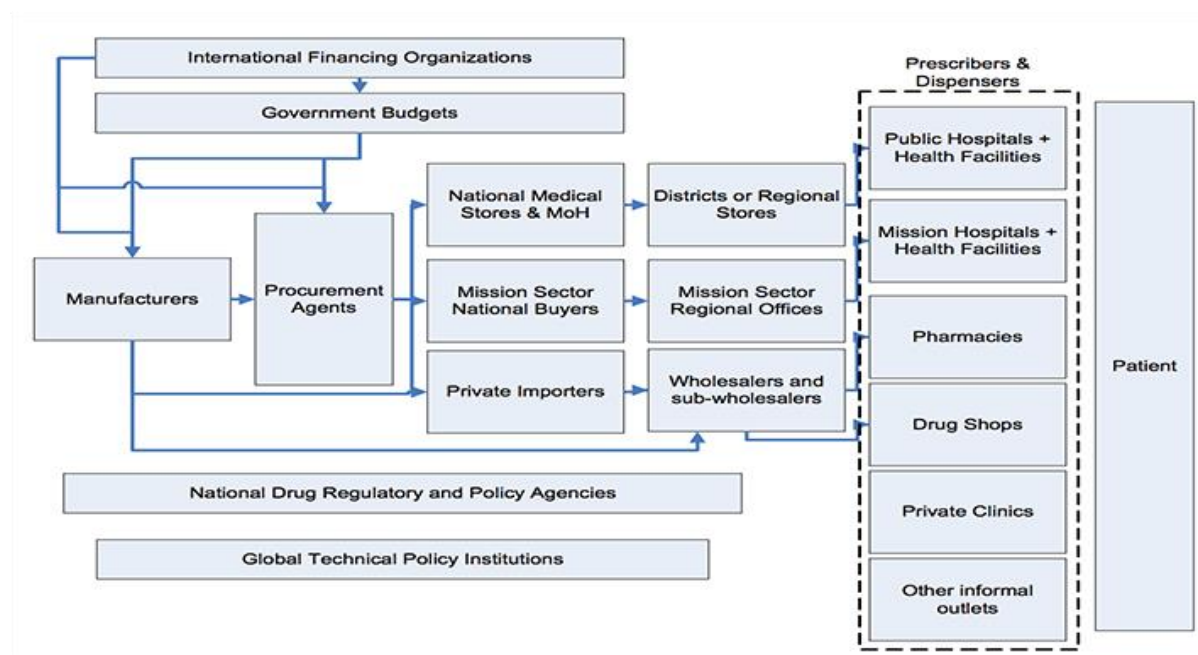
1. **Market analysis and regulatory review:** Analysis of the existing healthcare procurement structure at national and sub-national levels, critical dependencies (such as payment terms and debt rules) and bottlenecks. Analysis of areas in which procurement regulations may negatively impact on organisational and procurement goals.
2. **Diagnostic:** Using the CIPS diagnostic framework to rate procurement performance and identify areas of improvement.
3. **Strategic Procurement Framework Development:** Developing and implementing strategic procurement frameworks that align with national and sub-national health priorities.
4. **Standard Operating Procedures:** Enhancing procurement practices through the establishment and use of standard operating procedures (SOPs) and associated capacity building to support staff in executing SOPs.
5. **Key Performance Indicator (KPI) Development:** Development of key performance indicators against which to track the progress and impact of procurement improvements.
6. **Workforce Development:** CIPS supports staff in public healthcare procurement organizations achieve CIPS certification and provides bespoke skills training. CIPS HPA provides an open-access knowledge hub for health procurement professionals in Africa.
7. **Annual assessment:** Re-application of the diagnostic framework to assess improvements and areas for further strengthening.
8. **Organisational policy development:** Supporting organisations in developing internal procurement policies.

Market analysis and regulatory review

The first step of the CIPS HPA methodology is a market analysis to understand the supply chain for healthcare products. This is important in guiding stakeholder interviews and reviewing policy as it provides an overview of interdependencies between different stakeholder groups and organisations, and potential pinch points in the supply chain (for example, suppliers of healthcare products withholding deliveries due to overdue payments). It can be overlayed with procurement processes and approvals in order to identify procurement processes which would need to be analysed in more detail to understand their impact on the bottleneck (for example, lack of supplier relationship management strategy and negotiation of payment terms). It also serves as a framework against which to assess procurement regulations, as these may impact on the efficiency of the supply chain (sometimes, for example, procurement method decisions are based on meeting compliance thresholds rather than value for money).

Where requested, CIPS HPA can perform a more in-depth market analysis to quantify the supplier landscape. For products such as maternal health products and some essential medicines that are not currently procured through large, global mechanisms, knowledge of the supply markets for finished products is often weak at national level. CIPS HPA can assess this through data collection and structured interviews. The information is then applied as part of the CIPS Procurement Excellence Framework (described in more detail below) to establish an effective supplier network and supplier relationship management practices and agreements.

Example of a typical supply chain for healthcare products (Sullivan et. al 2012)



Diagnostic

The diagnostic phase involves carrying out a targeted analysis of the procurement of pharmaceuticals, medical supplies and medical equipment within the healthcare procurement organisation. It follows a four-step process:

1. Semi-structured stakeholder interviews with procurement staff to understand context and bottlenecks and identify key challenges.

Example of key procurement challenges and causes at a subnational healthcare organisation

Challenge	Causes
Purchases of healthcare products and technologies does not match requirements	<p>Funding allocation is less than the need advised.</p> <p>Absorption rates on allocated budget are low. If allocated funds are not used by the end of budget period, they are lost.</p> <p>Budget allocations are up to three months late in arriving, narrowing the contract window which makes running new competitive processes is difficult.</p>
Delays in delivery from suppliers and high prices	<p>Credit terms with central medical supplies agency require paying off outstanding debt first before buying new goods – often not leaving working capital for new purchases in time</p> <p>If the subnational entity is only a small customer of the supplier and supplier agreements have not been negotiated, the subnational entity will likely only be allocated stock at high prices and after more important customers have been serviced</p>
Low stock levels	The inability to procure effectively means that stock levels where needed are poor.

2. Documentary review of procurement legislation, regulations, policies and procedures

CIPS HPA works with health procurement organisations to identify, quantify and document issues in the regulatory environment and propose concrete amendments to existing legislation that can be put forward to Ministries of Health. For example, interviews regarding current legislation might reveal that changes to the stipulated minimum days for some procurement methods or to the regulations regarding formation and appointment of tender evaluation committees could optimize the procurement cycle time.

3. Diagnostic assessment and overall score

The diagnostic is a critical part of the CIPS HPA methodology and provides the foundation for the subsequent steps. It follows the established CIPS Procurement Excellence framework. The diagnostic framework provides an interlinked set of criteria for best practice, structured across five dimensions: Leadership and Organisation; Strategy and Policy; People; Processes and Systems. The five best practice dimensions house 103 individual criteria which are aggregated to 23 subject areas for CIPS HPA.

The organisation is scored against each of the 23 subject areas and these scores are aggregated into an average overall score, which denotes the organisation's overall procurement performance, along a 5-point scale¹.

Sample diagnostic scoresheet

SUMMARY				
Dimension	Heading	Pharmaceuticals	Medical Supplies	Overall
LEADERSHIP & ORGANISATION	Leadership	4	4	4
	Organisation	4	4	4
	Financial Control	1	1	1
STRATEGY & POLICY	Policy, Processes and Procedures	3	3	3
	Code of Conduct	1	1	1
	Intellectual Property and Confidentiality	1	1	1
	Records Management and Information Security	3	3	3
	Functional Strategy, Plan and Objectives	1	1	1
	Sustainability	1	1	1
PEOPLE	Investment in People	3	3	3
	Personal Development and Performance	2	2	2
	Communication and Teamwork	1	1	1
PROCESSES & SYSTEMS	Category/ Sourcing Strategies	3	3	3
	Sourcing Process	4	4	3
	Contract Management Process	3	3	3
	Identification and Management of Key Suppliers	1	1	1
	Purchase to Pay	1	1	1
PERFORMANCE MANAGEMENT	Supplier Performance Management	1	1	1
	Quality Management	2	2	2
	Continuous Improvement	1	1	1
	Functional Performance Management	2	2	2
	Risk Management	1	1	1
	Audit Process	3	3	3
OVERALL		2,1	2,1	2,1

1 Ad hoc	2 Tactical	3 Developing	4 Effective	5 Standard
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¹ The CIPS Procurement Excellence Framework scale reaches 8, with levels 6 and above level 6 recommended for strategic initiatives such as pooled procurement. The five-point scale is used for CIPS HPA engagements with healthcare procurement organisations' standard operational remit

4. Improvement plan and timeline

The diagnostic report is discussed with key stakeholders and used to develop a detailed improvement plan and timeline with the health procurement organisation.

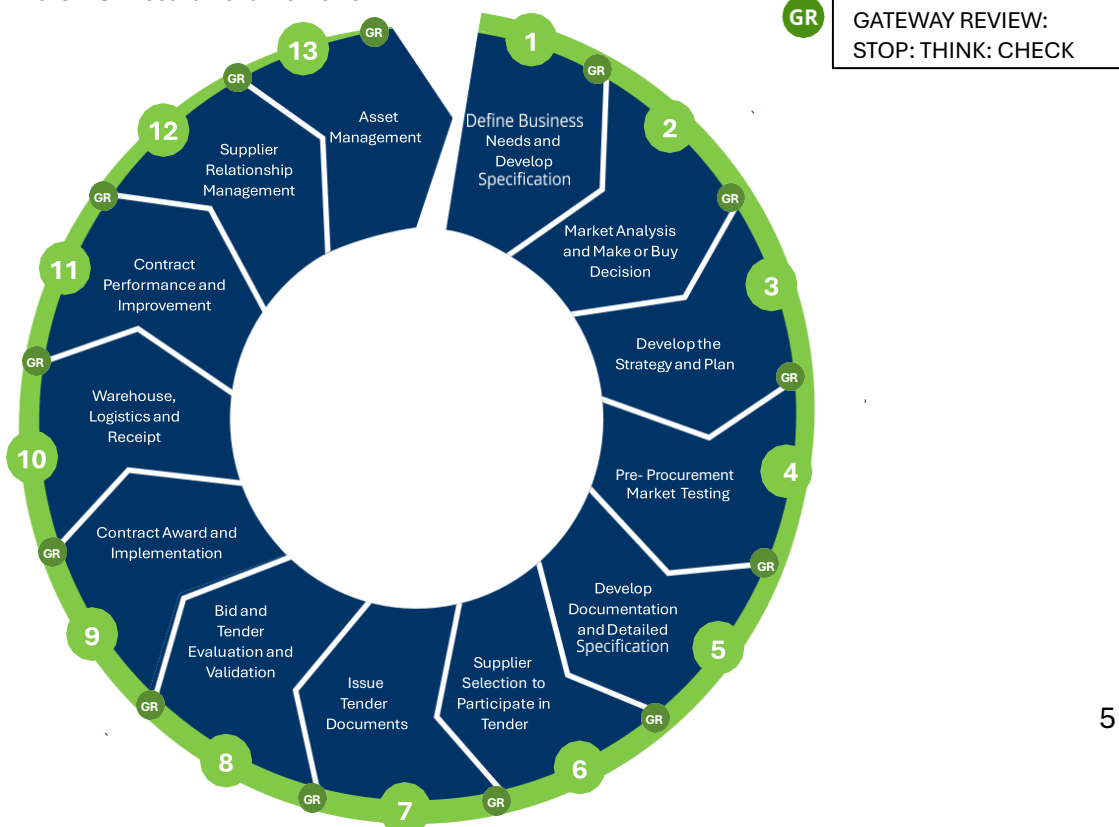
Improvement plan and timeline example

EXAMPLE LAYOUT												
CIPS DIAGNOSTIC REVIEW - IMPROVEMENT PLAN FOR XXX												
ACTIVITY	J	F	M	A	M	J	J	A	S	O	N	D
Priority 1												
Develop Procurement Policy (2.1, 2.2, 2.5, 2.7, 2.8, 2.11, 4.8)												
Communicate Procurement Policy												
Develop Procurement Strategy (2.3)												
Communicate Procurement Strategy												
Define & map the Procurement/ Sourcing process (2.1)												
Develop supporting documentation/ manual/ templates (4.2, 4.4, 4.5)												
Define and map the process for the development of category strategies (4.3, 5.7)												
Define the risk assessment process to manage risks identified from the category strategy process (5.7)												
Develop the current induction process (1.1)												
Implement Delegations of Authority (1.3)												
Priority 2												
Introduce a Gifts & Hospitality Register and develop management/ review process (2.6)												
Introduce a requirement for Declarations of Interest for all staff involved in procurement (2.6)												
Ensure that separation of duties are mapped into the P2P workflows (2.7)												
Develop and map a contract management process, with ongoing risk assessment and mitigation. (4.7)												
Establish spend reporting query by category. (4.1)												
Identify appropriate categorisation for supplier relationships and implement. (4.9)												
Create appropriate supplier performance measurement for all relevant suppliers. (4.9, 5.5, 5.6)												
Priority 3												
Consider re-structuring of the staff handbook. (2.6)												
Develop and introduce a policy for data and records management. (2.10, 4.6)												
Update the Corporate CSR report and include requirements for suppliers (2.11)												
Develop New Supplier Audit process. (4.3)												
Develop and implement an appropriate audit & review process. (5.4)												
Implement an Procurement Intranet site (1.1)												

Strategic Procurement Framework Development

CIPS HPA applies the CIPS structured procurement framework for planning, implementing and monitoring procurement activities along the procurement cycle. The framework identifies 13 core activities along three key stages: Pre-procurement; Sourcing and Contract and Supplier Management. from procurement strategy development and market analysis to supplier contracts. The framework helps to align procurement with overall organizational goals and ensures cost-effectiveness, risk management, and value creation.

The CIPS Procurement Framework



Standard Operating Procedures

For each of the 13 activities in the CIPS Procurement Framework, CIPS has developed Standard Operating Procedures (SOPs) representing best practice for the implementation of each activity in the procurement cycle.

CIPS HPA assesses the extent of implementation of these SOPs within the healthcare procurement organisation. SOP gaps, recommended remedial actions and the measurement approach for tracking progress are integrated into the improvement plan.

Example of an SOP plan for one of the SOP criteria

Procurement Cycle Stage	Strategic Inputs	Standard Operating Procedures (green = in place)	Intended Impact Areas (High)	Measurement Approach
Market Analysis	Market Analysis The diagnostic report highlighted the absence of market analysis and spend analytics. Without this analysis, it is challenging to make informed sourcing decisions. Effective market analysis is essential for understanding the supply market and making strategic sourcing decisions.	Supply Market Analysis	Improved availability of goods (ORR – Order Refill Rate)	Year On Year (YOY) comparison for spend analysis
			More strategic use of suppliers	Absorption rates
	Spend Analytics Constructive spend management is enabled by understanding spend patterns. Spend analysis supports targeted performance and relationship management, enabling better decision-making regarding sourcing strategy.	Opportunity Analysis and Savings Definition	Better absorption rates (budget use versus allocation)	ORR
			Improved ability to forecast cash flow and budget based on historical spend	OTIF
		Spend analysis with narrative		

Key Performance Indicator (KPI) Development

CIPS HPA works with healthcare procurement organisations to identify procurement KPIs that align with national and / or subnational healthcare strategy.

CIPS HPA supports procurement organisations in identifying data sources, gaps and possible remedies for data gaps, resulting in a KPI dashboard and associated data collection plan. The data collection plan is discussed with relevant stakeholders to establish the feasibility of implementing the proposed additions and appropriate integration into existing reporting frameworks (e.g. Ministry of Health at national and subnational levels).

Sample KPI Dashboard

KPI	Definition	Formula	Frequency	Target
Unit Price Variance	Price difference from international reference price	$\frac{\text{Local Price} - \text{Ref Price}}{\text{Ref Price}} \times 100$	Quarterly	±10-15%
Orders Delivered on Time (OTIF)	Number orders delivered complete and on time	$\frac{\text{On-time full deliveries}}{\text{total orders}} \times 100$	Monthly	80-90%
Emergency Order Rate	Number orders made through emergency procedures (as opposed to planned procurements)	$\frac{\text{emergency orders}}{\text{total orders}} \times 100$	Monthly	< 10%
Stock Accuracy	Difference between physical and reported stock	$\frac{\text{matching SKUs}}{\text{total SKUs counted}} \times 100$	Quarterly	≥ 99%

Workforce Development

CIPS HPA supports staff in public healthcare procurement organisations to complete a range of the CIPS qualification levels starting at CIPS Level 2 Certificate in Procurement and Supply Operations and moving to CIPS Level 3 Advanced Certificate in Procurement and Supply Operations, and CIPS Level 4 Diploma in Procurement and Supply - the first level qualification in achieving full MCIPS membership. CIPS HPA supports healthcare procurement staff in assessing their current level of excellence, using a CIPS self-assessment tool, and helps them develop an individual learning plan, which may include bespoke skills training related to the procurement entity.

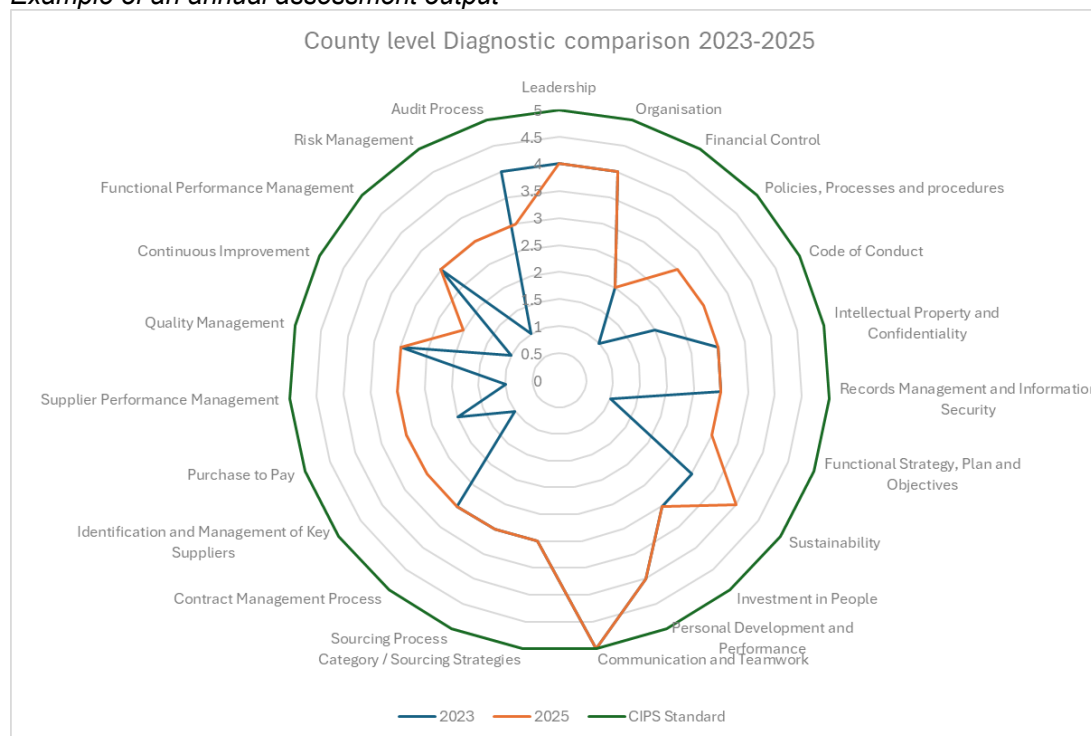
CIPS HPA provides an open-access knowledge hub, which contains 36 Learning Pathways, and over 240 technical resources on procurement practice tailored to the specific requirements of health sector procurement. HPA uses this online forum to curate discussion among members and provide targeted training sessions based on topics of common interest. CIPS HPA hosts regular interactive best practice Webinars that support staff in achieving their learning goals.

CIPS HPA can also work with existing training organisations and local universities to become CIPS approved study centres and provide qualifications by CIPS certified trainers. These institutions can progress to becoming CIPS-approved exam centres, ensuring sustainability in country in the continued professionalisation of procurement staff to a global standard.

Annual assessment

CIPS HPA recommends the diagnostic be carried out on an annual basis in order to identify status of improvement activities and critical areas for focus. This is envisaged as an iterative process until the organisation achieves an average diagnostic score of 4 (effective), or, in the case of special initiatives such as pooled procurement, has achieved the agreed excellence level (e.g. CIPS recommends level 6 and above for effective pooled procurement).

Example of an annual assessment output



Organisational policy development

CIPS HPA supports healthcare procurement organisations in developing procurement policies where none exist, or in reviewing existing policies and advising on amendments to meet CIPS standards.

Standard policy subject areas are:

- Mission Vision and Values
- Approach to Procurement
- Legal & Regulatory compliance
- Ethics, Conflict of Interest & Integrity
- Procurement data policy
- Intellectual property policy

CIPS HPA works with healthcare procurement organisations to develop additional, organisation-specific policies where required.