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SERVICE CONTRACT FOR  
**PURCHASE PLANNING AND MODEL OF STRATEGIC  
STOCK/CASH MANAGEMENT**

AC/PRSAO/2007/MS.G.PREV/ACECA/01

**APPENDIX II**  
**TERMS OF REFERENCE**

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## **1. GENERAL INFORMATION**

### **1.1. Beneficiary countries**

Beneficiary countries include the 16 West African countries:

National Purchasing Centres of these countries expressed their wish to get specialized training sessions on pharmaceutical products supply management. This is the purpose of these terms of reference.

This training session is part of the African Association of Essential Drug Purchasing Centres programme (ACAME) relating to the capacity building of Purchasing Centres.

### **1.2. Tendering power**

ACAME, which Head office is located in Ouagadougou (Burkina Faso) is the Tendering Power.

### **1.3. Useful information relating to beneficiary countries**

Purchasing Centres of the above-mentioned beneficiary countries are gathered in a network under ACAME.

They sometimes show some heterogeneousness in their structures, their countries characteristics and their running procedures. However, they share the same fundamental principles and they globally have similar needs, namely regarding training.





### **1.4. Current situation of the relevant sector**

Each one of the beneficiary countries has an Essential Drugs Purchasing Centre, which mission, identical from one country to the other, is essential for the health policy of these countries

These are non-profit Purchasing Centres being under the technical supervision of the Ministry of Health and under the financial supervision of the Ministry of Finance.

They must conciliate public health requirements with goals peculiar to a self-managed trading company, which play a part on the international market and must ensure its self-development.

To achieve these goals, the Centres intend to strengthen:

-  The implementation of adapted procedures for the management of all the supply process,
-  Their purchases and stocks planning method,
-  The inventory planning of physical and financial flows
-  Their technical skills for the setting up of a system to secure quality

The achievement of this project should enable to increase the performance of Centres and to optimize their use regarding the supply for priority diseases control programmes

financed by Donors (Antiretroviral drugs for HIV/AIDS, ACT for anti-malarial, anti tuberculosis drugs).

### **1.5. Related Programmes and other activities of donors**

This programme is financed by the European Commission through the 9<sup>th</sup> European Development Fund (West Africa Regional Health Project, managed from the European Commission Delegation up to one West African capital city at the choice of the tenderer).

Other partners support ACAME programme (French Cooperation) or can together support Purchasing Centres individually, through complementary action.

## **2. GOALS AND EXPECTED OUTCOMES**

### **2.1. Global objectives**

- ✚ Global objective 1 : Support the planning process of purchases strengthening stocks and cash strategic management.

### **2.2. Specific goals**

- ✚ Specific goal 1: Promote the setting up of supply procedures that meet the international standards
- ✚ Specific goal 2 : Develop an inventory method for planning supply while taking into account both customers needs and financial forecasts of Purchasing Centres.

### **2.3. Outcomes to be achieved by the service provider**

- ✚ Outcome 1: Purchasing Centres can make a medium term stock and cash assessment in accordance with realistic running hypotheses (delivery, purchases, payment and collection method, and timing of operations).

## **3. HYPOTHESES & RISKS**

### **3.1. Underlying Hypotheses behind the project**

ACAME assessed the needs with the active participation of Purchasing Centres.

Beneficiaries support is thus guaranteed since trainings are concrete and illustrated with realistic examples.

### **3.2. Risks**

With the presence of non Francophone countries, ACAME will make necessary arrangements to provide simultaneous interpretation for participants who need it and see that training reports are also translated into English.

## **4. SPHERE OF INTERVENTION**

### **4.1. Generalities**

#### **4.1.1. Project presentation**

ACAME aims at improving the physical and financial access of African poor populations to essential generic drugs.

For this purpose, it launched a huge support programme for Purchasing Centres, which will enable Centres to share their experiences and work. This programme will also help to develop multidisciplinary trainings and assist Centres with the implementation of a strategic development plan.

The Permanent Secretariat of ACAME, located in Ouagadougou (Burkina Faso) is in charge of coordinating this programme.

General Managers of ACAME however not concerned with the exclusion of most of the Purchasing Centres from the supply of priority diseases programmes: antiretroviral drugs (ARV), new combined artemisine-based anti-malarial drugs (ACT) and anti-tuberculosis drugs.

Faced with this situation, Purchasing Centres must therefore build their capacities and show efficiency. This mainly depends on supplies and stocks management control and the development of a quality insurance system.

This specialized training project should enable Purchasing Centres to improve their technical and management skills, and be thus approved by partners and donors regarding their programmes supply.

This approach aims at ensuring local capacity building, national supply and distribution systems streamlining and the sustainability of national bodies.

The purpose of this is to implement the following training module :

- The training module focuses on “Purchase planning and stock/cash strategic management”.

#### **4.1.2. Geographical covered area**

Beneficiary countries are listed at item 1.1. These countries are located in West Africa and most of them are French speaking countries (9). However, some of them are English speaking countries (5) or Portuguese-speaking countries (2).

The training therein presented will be conducted in French, in Ouagadougou (with simultaneous interpretation in English).

#### **4.1.3. Target group**

Target group is made up of 16 Purchasing Centres, involved in the project, and one representative of the Permanent Secretariat of ACAME.

The training focused on “Purchase planning and stock/cash strategic management” is mainly meant for Administrative and Financial Managers of Purchasing Centres.

However, ACAME entrusts each Purchasing Centre with the task of designating the candidate who will attend this training session.

## 4.2. Specific activities

### 4.2.1. training: “Purchase planning and model of strategic stock/cash management”

The service provider shall organize a training session in Ouagadougou. The theme shall be as follows: “Purchase planning and model of strategic stock/cash management”.

This training, meant first and foremost for the Administrative and Financial Managers of Essential Drug Purchasing Centres, shall last 5 days.

#### Interest of the forward planning model

The service provider shall show a strategic management model that enable Administrative and Financial Managers to check the appropriateness between the objectives of the Centres in terms of volume of delivery to various types of customers during a given period (at least for one financial year) and the financial capacities of Purchasing Centres.

This way, General Managers of Purchasing Centres shall be equipped with a tool for the financial running of the firm, allowing them to make sure that funds are timely available for financing the required purchase of drugs.

They shall otherwise point out to their supervision authorities or donors that they have difficulties to achieve their objectives according to defined hypotheses. With this support tool for decision making, they shall therefore be able to justify the need to suggest corrective measures (increase of the gross profit rate, appeal to banks, and application for recapitalization).

The first chart of this tool shall be designed so as to:

- Allow the definition of delivery objectives and the monthly breakdown of sales volume, according to the category of customers and programmes involved.
- Breakdown purchase volumes according to market forecasting.
- Make forecast regarding the level of monthly stock during the period.

The second aspect of this tool shall allow to:

- Monthly breakdown projected expenditures for running and investment
- Breakdown service providers’ payment according to the method defined in markets and the months scheduled for the delivery of products
- Breakdown income according to recovery forecasts
- Have a monthly cash level forecast during the period

### **Tools required before method development:**

The service provider shall review all the works and tools prior to the development of this model and explain the methodology:

- Method of setting the gross profit rate within a Purchasing Centre
- Method for developing an annual budget (Functioning, investment, sales budget)
- Development of performance indicators for various Services or Departments

### **Presenting and implementing the tool**

The service provider shall present in detail a computerized version of the strategic management method and it shall train beneficiaries in its use.

## **4.3. Project management**

### **4.3.1. Body in charge of the project management**

The Permanent Secretariat of ACAME, located in Ouagadougou is in charge of the project management.

### **4.3.2. Management structure**

The Permanent Secretariat of ACAME shall, through its accountant, see to the strict compliance with procedures governing contracts financed through the 9<sup>th</sup> EDF.

## **5. LOGISTIC AND SCHEDULE**

### **5.1. Project site**

The training session shall be held in Ouagadougou.

### **5.2. Starting date and period of execution**

The service provider shall conduct this training sessions from 10<sup>th</sup> to 14<sup>th</sup> december 2007.