

FACTORS HINDERING THE PREPARATION OF ANNUAL PROCUREMENT

PLAN: A CASE OF MEDICAL STORES DEPARTMENT DAR ES SALAAM

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REQUIREMENTS FOR THE DEGREE OF MASTERS IN BUSINESS
ADMINISTRATION LOGISTICS AND TRANSPORT MANAGEMENT IN THE
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CERTIFICATION

The undersigned certifies that, he has read and recommends for acceptance by the Open University of Tanzania this research titled “Factors Hindering the Medical Stores Department in Preparation of Annual Procurement Plan” in partial fulfillment of the requirements for the award of Masters in Business Administration Logistics and Transport Management

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DECLARATION

I, GODFREY MWAMBA KATIMO Certify and declare that this research paper is the work of my own in its origin and has not been presented anywhere and will not be presented to any other institution for any award.

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DEDICATION

I dedicate this work to my lovely family, my wife Magreth, my children Vernon Violaine and Verlene; My parents Jennifer and Late Augustine Kimaryo. Your moral support and encouragement during my study made this work a reality. You are the most beautiful gift from God. I love you thanks very much.

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The first gratitude is extended to almighty God for good health and much grace to my family and I say thank you.

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ABSTRACT

The study was objectively to assess the Factors Hindering the Medical Stores Department in Preparation of Annual Procurement Plan. In research methodology, researcher used both qualitative and quantitative. The study included 34 respondents whereas 10 were Procurement Management Unit and 24 were user departments, sampling techniques both random and purposive were used where collected data (primary data and secondary data) were coded and tables were drawn by used special program known as SPSS. The factors affecting the APPs were poor forecasting of the volume of products to be procured by customers at planning stage; rapid change of preferences (diagnosing regime) on patients; skills and knowledge of the key participants (internal and external customers); poor timing of specific procurement; late communicating of the needs from the customers to the MSD; and late initiation of the procurement contrary to the plan. The procurement process starts when a need is recognized and ends where has been satisfactorily met. The process includes the internal preparations which after the approval of the budget starts with the identification of the need by the user departments and submit their requirements to the PMU. If employees are not aware with the regulation which is a way to success then the organization will fail MSD should provide adequate resources for project supervision made available; standard guidelines for annual procurement plan. Staff in PMUs be trained on record management, establishing procurement record management system, implementing the procurement information management system and providing adequate facilities and office to PMUs. Recommend the Government to make a close auditing to make sure that the government institutions are complies with regulations

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LIST OF ABBREVIATIONS AND ACRONYMS

ADB	- African Development Bank
APP	- Annual Procurement Plan
BoT	- Bank of Tanzania
CEPA	- Campaign to End Pediatric HIV/AIDS
CRM	- Customer Relationship Management
EMHS	- Essential Medicines and Health Supplies
G. N.	- Government Notice No. 97
GN	- Government Notice
ICB	- International Competitive Bidding
IFAD	- International Fund for Agricultural Development
LIB	- Limited International Bidding
MIS	- Management Information System
MSD	- Medical Stores Department
NCB	- National Competitive Bidding
NSW	- New South Wales
OECD	- Organization for Economic Co-operation and Development
PE	- Procuring Entity
PMU	- Procurement Management Unity
PPA	- Public Procurement Act No. 21 of 2004
PPR	- Public Procurement Regulations
PPRA	- Public Procurement Regulatory Authority
PSPTB	- Procurement and Supplies Professional and Technicians Board
SPSS	Statistical Package for Social Science
URT	- United Republic of Tanzania
VFM	- Value for Money

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

Almost all government hospitals complain of lack of essential medicines and medical supplies. It is normal for patients visiting government hospitals to be required to buy prescribed medicines from private pharmacies. The complaints point out MSD as source of unfavorable availability of essential drugs.

Despite these out of stock of drugs, the MSD prepares the annual procurement plan (APP) every year. One of the essences of APP is to avoid the problem of out-of-stock. Reg. 46 (4) of G.N. No. 97 requires the proper planning of procurement of recurrent items based on an adequate stock control system, also Reg. 46(5) requires the procuring entity to forecast its requirements for goods, services and works accurately. Furthermore, Reg. 46 (9) requires the procuring entity to draw up procurement plans for those requirements for which sufficient funds are available in the current vote head, or if payment is due in a subsequent financial sub head, which have been budgeted.

The MSD maintains funds received from government that is allocated to render availability of drugs for government hospitals. It is from these budgets then MSD is required to prepare the APP to fulfill the medical requirement of government hospitals and other authorized users.

The researcher needs to investigate as to “why does MSD experience such frequent stock-out situations while the procurement plan is prepared basing on the annual budgeted

customer requirements”. These issues impressed the researcher to conduct a study on Factors Hindering the Medical Stores Department in Preparation of Annual Procurement Plan.

1.2 Statement of the Research Problem

Drugs stock-out problem is not a new phenomenon, it has been at MSD for many years. Despite of the presence of Annual Procurement Plan (APP) the challenge is still existing and causing insufficient provision of health services from government and special hospitals all over the country most of which complain of the absence of essential drugs at MSD(Kanyika,2007). Procurement planning for any firm should be intended to facilitate into the fulfillment of the overall objectives of the organization; it is the footprint to be followed in all forecasted means of acquisition and contracting processes for goods, services and works to achieve Value for Money. Reg. 46 of G.N. No. 97. Without well forecasted requirement of goods to be procured and be incorporated into the procurement plan of the company, it would be impossible to achieve the Value for Money. The Value for Money for the Medical Stores Department (MSD) is said to be achieved when the availability of right stock at central warehouses satisfy right all requirement of customers.

The flourishing of private pharmacies near government hospitals is adequate evidence that these hospitals are not adequately supplied with commonly used medicines. On the other hand it is very common to find reports in the media on the shortages of medical supplies.

The planning procedures depend much on inputs from inventory analyst regarding forecasting of demand and timing of procurement activities. The study need to assess the Factors Hindering the Medical Stores Department in Preparation of Annual Procurement Plan.

1.3 Objectives of the Study

1.3.1 General Objective

To assess the Factors Hindering the Medical Stores Department in Preparation of Annual Procurement Plan

1.3.2 Specific Objectives

- a) To determine the employee awareness on the importance of preparation of annual procurement plan at the MSD
- b) To identify the techniques and criteria which are used to prepare of annual procurement plan at the MSD
- c) To determine the challenges associated with the effectiveness of implementation of annual procurement plan at the MSD
- d) To suggest measure which has to be taken so as to strengthen the effectiveness of procurement planning among the MSD?

1.4 Research Questions

1.4.1 General Question

What Factors Hindering the Preparation of Annual Procurement Plan at the Medical Stores Department?

1.4.2 Specific Questions

- a) What are the employee awareness on the importance of preparation of annual procurement plan at the MSD
- b) What are the techniques and criteria which are used to prepare of annual procurement plan at the MSD

- c) What are the challenges associated with the effectiveness of implementation of annual procurement plan at the MSD
- d) What are the suggested measure which has to be taken so as to strengthen the effectiveness of procurement plan among the MSD.

1.5 Significance of the Study

This study would provide the Open University of Tanzania with relevant data that can guide other researchers to develop new studies.

The study would earmark the areas and factors leading to stock-outs of drugs to MSD which is the host organization and to pave a way for them to device measures to counter their existing problems especially the stock out problem.

At the end of the study the researcher would suggest the measures to deal with stock-out problem depending on the situation as to be studied.

To the government, based on the fact that, one the requirement of Public Procurement Act NO 21 of 2004 is to have annual procurement plan in public sectors, in regard, the finding shall be useful for the procurement entities in minimizing if not eliminating factors hindering the MSD in proportion of Annual procurement plan.

The stake holders would be made aware on how Annual Procurement plan could have positive effects to the entity.

1.6 Scope of the Study

The research was conducted at the medical stores department in Dar es Salaam as a case study. The concentration has cut through procurement section, inventory management section, warehouse department, and customer service section. The study aimed to gather data that were relevant to the topic as these sections participate closely in preparation of annual procurement plan.

Due to the time limit granted for the study, the scope of the study is limited to an investigation of factors hindering the preparation of Annual procurement plan at the MSD Dar es salaam. Secondly, due to the respondent's reluctance, the researcher strategy was to cooperate with those who were to be cooperative.

1.7 Organization of the Study

This study is presented in five chapters. The first chapter consists of the background of the research problem, statement of the problem, research questions, objectives of the study, and significance of the study. The second chapter gives the relative literature review through theoretical and empirical literature to reflect the nature of the study. The third chapter describes the research methodology, area and population of the study, sample type and size, data collection methods, type of data and schedule of activities. Chapter four is devoted for presenting findings and analysis of data based on respondents, and through intensive discussions relating to the research objectives. Chapter five is the last chapter which presents the summary of the main findings, conclusion, recommendations, implications of the findings, limitations of the study and area for further study.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

Through this part explains the theoretical and empirical concepts of the procedures; the chapter starts with definitions of key terms importance, and effects of having procurement plan in place for any procuring entity. Generally, the researcher tries to focus and highlight on the important issues and/or aspects of procurement in which procurement plan is a must. Therefore the researcher in this part attempts to point out the significance and the relationship of the concepts in conceptualizing of the theories and practices. The areas (issues and/or aspects) to be covered are the definitions and details on:

2.2 Conceptual Definitions

2.2.1 Procurement

Procurement means buying, purchasing, renting, leasing or otherwise acquiring any goods, works or services by a procuring entity spending public funds on behalf of a ministry, department or regional administration of the government or public body and includes all functions that pertain to the obtaining of any goods, works or services including description of requirements, selection and invitation of tenders, preparation and award of contracts (PPA 2004).

Procurement refers to activities related to acquisition of products and materials from outside suppliers. Requires performing resources planning, supply sourcing, negotiation, order placement, in bound transportation, receiving, and inspection storage and handling and quality assurance. It includes the responsibility to coordinate with suppliers in such areas as scheduling, supply continuity, hedging and speculations as well as research

leading to new resource programs. The primary objective is to support manufacturing or rescale organizations by providing timely purchasing at the lowest total cost.

Procurement is buying, purchasing, renting, leasing or otherwise acquiring any goods, works or service by procuring entity spending public funds on behalf of ministry department or region administration of the Government or Public body and including all functions pertain to obtaining of any goods works or services, including description of requirements, selections and invitation of tenders, preparation and award of contract (Baily, P, 1998)

2.2.2 Procurement Planning

IFAD defines the procurement planning as the total processes of putting in plan the project scopes and completion time involve identifying required civil works, goods and services, determine implementation sequence and schedule, select equipment packages, choose method of procurement (ICB, LIB, NCB, or other), hence the document emanating from this process is the Procurement Plan.

2.2.3 Procuring Entity

Procuring entity means a Public Body and any other body or unit established and mandated by the Government to carry out public functions (PPA 2004). This means that it is any public institution which has been instituted by law and uses public funds to carry out procurement activities and the head of it is called an Accounting Officer.

2.2.4 Procurement Cycle

Lysons (2006) defines the purchasing cycle or procurement cycle as all processes involved from first the need is recognized, the whole process of acquisition until when the goods or services are delivered or works done and the bill settled.

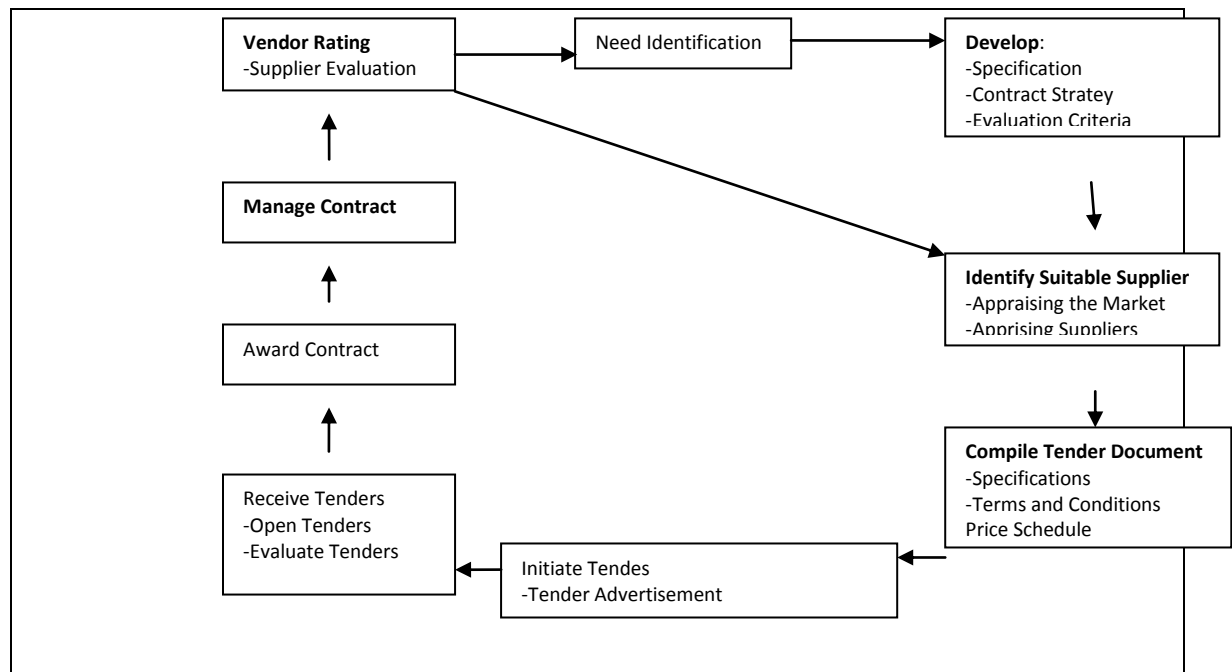


Figure 2.1: The Procurement Cycle

Source: Patrick (1994)

2.2.5 Value for Money in Procurement

Value for money is defined as the optimum combination of whole life costs and quality.

(or fitness for the purpose) to meet users' requirement (Msita 2007). It has three Es: Economy which means Low cost, Efficiency which means doing things right, and Effectiveness doing the right things. VFM is therefore not about achieving the lowest initial price, but rather achieving high productivity and successful outcomes. Value for money refers, not only to cost or cost versus quality, but what value the procured items contribute to the organization. That do they meet the purpose for which they have been bought. Despite the objectives of the process being internally oriented the focus needs to be changed towards becoming proactive.

According to the five pillars of good public procurement value for money is given its special attention than the other four components namely equity, transparency, accountability, fairness. PPRA (2008) Mlinga says, "It is important to emphasize that

while all the five pillars are equally important, the other four pillars indeed aim at ensuring that value for money is achieved in procurement process.

2.3 Theoretical Literature Review

In theoretical reviews, the emphasis is to describe the theory used in procurement planning such as value for money theory in public procurement and Public Procurement Regulatory Authority.

2.3.1 Value for Money Theory in Public Procurement

All public procurement activities are aimed at achieving Value for Money (VFM). According to S. 45 of PPA (2004), a procuring entity shall plan its procurement in a rational manner and in particular shall avoid emergency procurement wherever possible, shall aggregate its requirements wherever possible, both within the procuring entity and between procuring entities, to obtain value for money and reduce procurement costs, shall make use of framework contracts wherever appropriate to provide an efficient, cost effective and flexible means to procure works, services or supplies that are required continuously or repeatedly over a set period of time, also shall avoid splitting of procurement to defeat the use of appropriate procurement methods unless such splitting is to enable wider participation of local consultants, suppliers or contractors in which case the Authority shall determine such an undertaking, lastly shall integrate its procurement budget with its expenditure programme.

A plan is like a map, when following a plan; one can always see how much one has progressed towards the planned goals and how far one is from your destination. Knowing where one has reached in the pursuit of goal is essential for making good decision on where to go or what to do next. Value for money is defined as the optimum combination

of whole life costs and quality. It has three Es: Economy which means Low cost, Efficiency which means doing things right, and Effectiveness doing the right things. VFM is therefore not about achieving the lowest initial price, but rather achieving high productivity and successful outcomes Catherine (2008) This means that in all public procurement activities the PEs should make sure that goods, works and services are obtained by considering the price of the item if it is genuine, that the item itself is the one that has been specified (basing on the right specifications) and that the procedures used should be those stipulated in the Act. It's through these the PEs can ensure value for money.

Following the decentralization of procurement to procuring entities, departments, agencies and non-departmental public bodies are responsible for determining the goods and services which they need and how they can acquire them. As earlier stated; the need to acquire VFM is one of the Tanzania's basic procurement principles and therefore, all public procurement of goods and services, including works, must be based on VFM, having due regard to propriety and regularity.

It is clear that value for money is a core principle under pinning public procurement by ensuring non-discrimination in procurement and using competitive procurement process, promoting the use of resources in an efficient, effective and ethical manner and making decision in an accountable and transparent manner PPR (2008).

Better value for money from procurement can be achieved in many ways as getting an increased level or quality of services at the same time, avoiding unnecessary purchases, ensuring that user needs are met but without stock-outs nor exceeded stocks, specifying the procurement requirement in output terms so that suppliers can recommend cost

effective and innovative solutions to meet that need, optimizing the cost of delivering services or goods over the full life of the contract rather than minimizing the initial price, introducing incentives into the contract to ensure continuous cost and quality improvement throughout its duration. Other are to aggregating transactions to obtain volume discounts, collaborating with other departments including users and customers to obtain the best practices and secure better discounts from buying in bulk, developing a more effective and working relationship with key suppliers to allow both PE and supplier get maximum value from the assignment by identifying opportunities to reduce costs and adopt innovative approach, Reducing the cost of buying goods in bulky instead mainstreaming pull system procurement.

The Value for Money in procurement is particularly emphasized in section 43 and is furthermore emphasized in section 45 of PPA, 2004 where it needs to be achieved initially through proper procurement planning.

Hodges et al (2005) defines a procurement plan as description of which product will acquire from suppliers as well as when and how they will be acquired. It is set of things arranged in advance that should be done to achieve something; also it is an action of making arrangement of something you want to do in the future (Hornsby, 2009).

International Fund for Agricultural Development (IFAD), define the procurement planning as the total processes of putting in plan the project scopes and completion time involve identifying required civil works, goods and services, determine implementation sequence and schedule, select equipment packages, choose method of procurement (ICB, LIB, NCB, or other) procedure per IFAD guidelines. IFAD also concurs with the New South Wales that Procurement planning can be divided into two separate categories which are

high value or strategic procurement planning and annual procurement planning as has been further illustrated below. This is to say ‘Procurement plan’ is a document resulting from the procurement planning process.

2.3.2 Public Procurement Regulatory Authority (PPRA)

The study was interested in investigating and providing theories relating to annual procurement plan and the effort of PPRA in dissemination of PPA NO 21 of 2004 and its regulations to all entities in order to enable stakeholders to prepare workable annual procurement plans for effective procurement process so as to enhance all procurement entities in achieving high economical growth, macro-economical stability sound financial management and accountability (PPRA, 2004).

Basheka (2006) suggests that, deviation from applicable procurement and disposal method is major weakness in ministries and parastatals, is the lack of procurement plan. While inefficiency may be a contributing factor, lack of planning in many cases is deliberate in order to create pre-conditions for an adhoc unwarranted emergency procurement.

2.3.3 Procurement Planning

According to Agaba (2007), procurement planning is the process used by companies or public institutions to plan purchasing activity for a specific period of time. This is commonly completed during the budgeting process. Each year, departments are required to budget for staff, expenses, and purchases. This is the first step in the procurement planning process.

Economic commission of Africa (2003) defines procurement planning as the purchasing function through which organization obtain products and services from external suppliers.

A good procurement plan will go one step further by describing the process you will go through to appoint those suppliers contractually. Whether you are embarking on a project procurement or organizational procurement planning exercise, the steps will be the same. First, define the items you need to procure. Next, define the process for acquiring those items. And finally, schedule the timeframes for delivery.

Procurement planning is process by which the efforts all persons involved with significant aspect of all a project or activity are coordinated and integrated in a comprehensive manner. The formality and detail of the planning and preparation process vary with the size, complexity, mission and projected dollar value of the requirement. (Chambua, 2008)

Procurement Planning is one of the most important and vital business processes in every company. It is aimed to provide productions with necessary resources. With implementing procurement planning, the company management will ensure that the company buys appropriate products at the right price from the right suppliers delivered within right time at right destination (Haraba, 2008). The process becomes more significant if the company is aspired to produce goods or services while the production is depended on external suppliers and resources.

Procurement planning gives many benefits for the company such as; materials are always available for operation continuity; optimization of material and resources prices; costs and procurement time are minimized; reduction in risks; balanced execution of production plan; effective partnership between the company and its customers and there becomes improved goodwill to the firm (Hodges et al, 2005).

Planning is the process used by companies or institutions to plan purchasing activity for a specific period of time. This is commonly completed during the budgeting process. Each

year, departments are required to request budget for staff, expenses, and purchases. The budgets for all the departments are then reviewed, and in an organization that is committed to procurement planning, the accountants spend the time to find common purchasing requirements. Based on the budgets submitted, they may direct departments to work with central purchasing to combine their planned spending for specific commodities. This process works best in an organization that is committed to reducing costs. Issues surrounding delivery dates, contract compliance, and customer service issues must be resolved internally before going out to contract (Sauber, 2008).

The primary concept of procurement is that advanced planning, scheduling, and group buying has results in cost savings, more efficient business operation, and therefore increased profitability. There are four areas that form the basis of procurement planning: group buying, just in time delivery, negotiated bulk pricing, and reduced administrative overhead.

Group buying is the process of combining the total resource requirements for different departments and creating one purchase order. The departments can be physically located in a range of buildings, with the delivery dates, quantities, and conditions listed in the purchase order. This practice is increasingly common in government and public sector firms, where the same item can be purchased for a range of different institutions (Dana, 2011).

The five pillars of good public procurement value for money is given its special attention than the other four components. According to Mlinga (2008), he says “It is important to emphasize that while all the five pillars are equally important, the other four pillars indeed aim at ensuring that value for money is achieved in procurement process. Obtaining value

for money means making sure that, every shilling which is used should deliver the actual value in terms of quality of goods, services and works. This means that, every shilling used should deliver the right value. All those are possible through use of good procurement plan.

2.3.4 High Value Procurement Planning

This category of procurement planning assumes that from a variety of goods/services there must be a group of goods/services that is defined as a strategic (priority) purchases or has the highest values. High value procurement planning should be accomplished according to the following steps: analyse the needs and requirements, consider procurement options, specify company's procurement strategy and finally managing contacts and evaluating outcomes (Odhiambo and Kamau, 2003).

2.3.5 The Goal of Annual Procurement Planning

The goal of annual procurement planning is to encourage the company management to check current situation with available resources and deliveries, and to adjust it with plan. This requires coordination of business strategies and plans. Careful procurement management lets the company optimize costs and increase operations. It gives the company a complete procurement process, which explains step-by-step how to purchase and from which suppliers. When drawing up annual procurement plan, the company management should support service delivery outcome, evaluate company expenses on goods/services, improve procurement process, and improve performance goals and measures.

The annual procurement planning you need to create and task group and title them. The new groups have had several tasks and you can assign these tasks to project team

members, set priorities and due dates, etc. The success and efficiency of any project depends on, first of all, proper and in time task accomplishment. In order to define timeframes of the project, you can set due dates, start and finish date, actual and estimated time for a task. All dates and deadlines involved in the project can be scheduled using built-in Calendar. You can track tasks in daily, weekly, monthly or yearly view (Catherine, 2008).

2.3.6 Government Procurement Planning Guidelines - New South Wales (2002)

The Procurement plans are practiced in various countries to put footprints of what prospective specific procurements to be executed to fulfill the requirement forecasted in operations of both public and private entities. In NSW procurement plans are prepared for two different purposes:

The first purpose is for the agency, which means to document and communicate its procurement direction, strategies, processes and procedures to personnel. It also serves as a benchmark against which progress on procurement targets can be measured.

The second purpose is for the government, to provide an overview of the strategic direction of Government procurement.

There are two categories of procurement planning are annual and project specific procurement planning.

a) Annual Procurement Planning

Annual procurement planning encourages agencies to adopt a long term and strategic view of their procurement direction. Agencies are required to review their current procurement investment and purchasing processes, and to identify improvement goals, targets and milestones that closely link with their business plans, outputs and Government objectives.

Annual procurement planning imposes a discipline on agencies to identify, plan and properly manage the purchase of goods and services and report on the outcomes achieved.

b) Project Specific Procurement Plans

This is for high value, strategic or complex procurement. Project specific procurement plans are to be prepared for specific purchases of goods and services that are considered high value (where in NSW is over \$500,000), strategic or complex. The purpose of these plans is to assist the agency to analyze its need and select the best procurement option to maximize Value for Money. The plan submitted should be an overview of the procurement information gathered as part of an agency's business planning process. It may also include summaries of project specific procurement plans and forward plans.

2.3.7 Procurement Planning Process

The process for procurement plan involve of the following steps:

Firstly, determine what to procure: goods, works and related services and consulting services. Major categories: Goods, Related services (transport, insurance, installation etc) Works and related construction (roads and building) Consulting services (knowledge-based such as advisory, training, design and so on)

Determine type of consulting assignment (determine type and consulting assignment), Determine whether single or multi contract, Determine contract package, Packaging sub categorize requirements according to similarities of items to procure; but size of each package should be appropriate to obtain maximum competition.

Secondly, determine method of procurement, this includes choosing appropriate method of procurement from Public Procurement Regulations as to the limitations set governing

application of each method, Determine time required to implement each contract and from there identify activities, arrange activities in order, and prepare critical path as per PPA Regulations

Lastly, create a procurement implementation schedule; PPRA has prepared Templates Preparation of Annual Procurement Plans (APPs) for goods, works and non-consulting services and Consulting services. APPs must be prepared in three which are APP for internal use, APP for external use- basis for General Procurement Notice and for submission to PPRA. APP shall be prepared at start of financial year, APP for internal use shall be approved by procurement entity's management meeting chaired by Chief Executive Officer/Accounting Officer

Hence: The basis for preparation Annual Procurement Plan is approved budget of expenditure Planning for implementation shall involve preparation of project work plan at the same time describing:

- a. Projected tasks and activities such as projected demand of drugs in the country
- b. How task has been accomplished as indicated in the schedule of activities of individual purchase
- c. Identify resources to carry out the project
- d. Review assets to identify obsolete assets for disposal
- e. Identify which items to order in bulky and which ones be ordered in piece mill

The factors to be considered during planning are many including; Procurement planning shall begin at the project identification and preparation stage cycle; to make strategic decision on achieving efficient procurement by separating contracts; Proper planning shall be based on adequate stock control; Forecast requirements to match with annual estimates.

Other requirements are cost of requirements shall be estimated and compared with available funds; the forecasts shall include an estimate of the optimum time to the nearest month for receipt of each consignment of goods, provision of service or completion of required works; draw plan for which sufficient funds are available; establish appropriate procurement method; and calculate the time scale based on standard procure time described in 3rd schedule of PPA regulation.

Where PE has no capability to prepare tender documents, evaluate tenders may hire service of consultant. The contract period allowed must be a realistic assessment of the time in which a reasonably competent supplier, contractor or service provider could be expected to complete delivery of the goods, complete the works, or complete providing the services Reg. 52 (1) In the event that circumstances dictate a shorter than desirable contract period the attention of prospective tenderers should specifically be drawn to this requirement in the documents as per Reg. 52 (2) For particular types of contracts and particular weather conditions, sufficient time must be allowed for seasonal changes. Reg. 52 (3) Where, after the preparation of tender documents, there is delay for any reason in calling tenders, the contract period allowed for completion should always be reviewed immediately prior to calling of tenders. Reg. 52 (4) for any reason, if there is a significant delay between the preparation of the contract information sheet and the date of tenders closing, the estimate is to be reviewed again (PPA,2004).

2.3.8 Operation Objectives of the Firms

The procurement plans of the firms with higher volume of activities should consider all other means of ensuring availability of essential goods that should be always present to avoid uncertainty in any way. This may include inventory management of some items that might be bottleneck to the operations according to the supply positioning strategy. This

has be intended to ensure continuity of operations even in crisis periods. Either, policies should be established to ensure availability of materials to support operations regardless of whichever situation prevails while taking into account the ordering costs, holding costs and working capital through three questions that are mainly asked for, “what to order, when to order and how much to order”.

2.3.9 Procurement Planning in Public Entities (PPA 2004 SEC.45)

Procurement is a procedural process which involves series of activities. It is a cyclical process involving the following activities: analysis, planning, implementation, and measurement. The planning of the procurement process is probably the least explored activity of the four. The procurement cycle begins when need has been identified. Needs arises for various reasons, to meet daily operations, new project or emergency cases. For procurement to take place the originator (user department) must liaise with PMU and prepare work plan of requirement. In order to comply with PPA 2004 procurement must be planned.

In addition, the Procuring Entities are required to plan their forthcoming annual procurement and must publish its Annual Procurement Plan (APP) to draw businesses early attention to potential procurement opportunities. The APP is to contain a short strategic procurement outlook for the PE supported by details of any planned procurement. Section 45 of the Public Procurement Act 2004 stipulates that procuring entities shall plan their requirement in rational manner to avoid emergency procurement procedures, to aggregate the requirements to obtain value for money, to make use of framework contract whenever possible to reduce frequent ordering costs through tenders, to avoid splitting order to defeat the use appropriate procurement method unless the split provides advantages to supplier and PE and to integrate procurement budget with expenditure.

Generally, planning is deciding on what to do or what will be accomplished in the future. Planning is essential to all daily activities that you do. It helps organizations and institutions to manage their functions of organizing, leading, staffing and controlling. Procurement plan is a systematic approach for classifying procurement objectives, making strategic decisions and checking progress towards the objectives.

2.3.10 The Factors Affecting the Preparation of Procurement Plan

There are various factors need to be taken into consideration during and after preparation of annual procurement plan. Each factor has impacts in one way or another to the firm during execution of specific procurements; and to the overall operations of the firm. The procurement management units in every procuring entity should make sure that, the factors such as nature of goods to be procured, knowledge and skills, supply market survey, participation of stakeholders, technical specifications, serviceability, professional ethics, availability of funds, timing and scheduling activities, and communication.

a) Nature of the Goods

Goods may be classified by different procuring entities into various categories, such as goods for common-use supplies, inventory items, non-common use supplies that may include equipment or supplies that are project-specific, and services.

Common-use supplies are those goods, materials, and equipment that are repetitively used in the day-to-day operations by procuring entities in the performance of their functions. Inventory items include common-use supplies, goods, materials and equipment that are not in the Price List but are regularly used and kept on stock by the Procuring Entity. The bulk purchase of these goods may be a good strategy to lower costs and achieve administrative efficiency. Likewise, it is a good practice to monitor the consumption of

these items and identify when re-orders are necessary to ensure availability and to avoid under stocking or overstocking or tying up cash into stock. Non-common use supplies are those goods, materials, and equipment that are required by the Procuring Entity for a specific project only. The APP will reveal that similar items are required for different projects, and in order to minimize costs, these may be procured under a single contract (Parasuraman et al, 1996)

b) Knowledge and Skills

Competency standards specify knowledge and skills, and its application to the standard of performance required in the procuring entity. Competency based training on planning and supply management emphasise what a person can do from time to time, and helps make sure that people are trained in the procurement skills and knowledge they need to function effectively in their workplace. It helps them to acquire the right knowledge and skills they are required to be effective. In this context, knowledge is an understanding gained through experience or study, and skill is proficiency acquired or developed through competency-based assessment. Competency based assessment can be used to assess people who have undertaken training, and also to recognise competencies held by people who may have learnt more on the job, or through life experience. In planning, for procurement, such competent and skilled people are needed to cater the requirements needed from all stakeholders involved in the process (NSW, 2006)

c) Supply Market Survey

The identification of the mode of procurement is sometimes dependent on the supply market. The procurement unit or office should, therefore, study the supply market to determine the availability of the goods. Goods that are universally available should be procured through public bidding. However, there are instances wherein alternative modes

of procurement may be applicable. Goods that are available seasonally, or those that are to be manufactured specially for the procuring entity only upon its order, would require more intensive planning in terms of timelines for procurement, taking into consideration supply lead-time (Kakuru, 2004).

d) Serviceability

In planning buying equipment, the Procuring Entity has to consider the operation and maintenance requirements of the goods to be procured. These refer to the availability and cost of spare parts in the local market, the skills required in operating and maintaining the equipment, and similar considerations. For example, if spare parts and maintenance services are not available locally, or, if available are very expensive, the Procuring Entity may consider buying, instead, the substitute or equivalent product. On the other hand, if the items being procured are high-technology items, or are highly specialized and cannot be satisfactorily substituted by other products, the Procuring Entity may consider including the supply of spare parts, consumables and maintenance services for a specified period of time, as part of the contract package. It may be more economical for the Procuring Entity to consider the leases of such equipments. The Procuring Entity shall also take into consideration the warranty requirements for all equipments to be procured (Basheka, 2004).

e) Technical Specifications

The term “technical specifications” refers to the physical description of the goods or services, as well as the Procuring Entity’s requirements in terms of the functional, performance, environmental interface and design standard requirements to be met by the goods to be manufactured or supplied, or the services to be rendered. The technical specifications must include the testing parameters for goods, when such testing is required

in the contract. Functional description is the description of the functions for which the Goods are to be utilized. Performance description refers to the manner that the Goods are required to perform the functions expected of them. Environmental interface refers to the environment in which the required functions are performed at the desired level. Design refers to the technical design or drawing of the goods being procured. A design standard is particularly useful in cases where the goods procured are specially manufactured for the Procuring Entity (Mullins, 2003).

f) Ethical Issues

Donaldson (2001) stated that, ethical practices that promote economic efficiency include respect for intellectual property, engaging in fairer competition, avoiding monopolies, not abusing government relationships, providing accurate information to the market, avoiding bribery, respect for the environment and honouring contracts, promises and other commitments. Ethical issues in procurement are not only about bribery or corruption but also conflict of interests and collusive tendering.

Transparency International (2005) has shown how corruption can add up to 25% to the cost of public contracting, generating waste of public resources, missed development opportunities, an unstable environment for businesses. Hence, it is very important to observe professional ethics in formulating annual procurement plan.

g) Time Schedule of Requirements

Reg. 45 (7) of G.N. No. 97, requires the procuring entity to estimate of the optimum time to the nearest month for receipt of each consignment of goods, provision of service or completion of required goods. This is intended to minimize shortage or overstock. The timescale for each procurement shall be calculated on the basis of the standard processing

times, allowing any necessary margin for delays in transmission of documents or for clarification of tenders.

h) Availability of Funds

According to Reg. 46 (9) of G.N. No. 97 procuring entity shall draw up procurement plans for those requirements for which sufficient funds are available in the current vote subhead, or if payment will be due in a subsequent financial year, have been budgeted.

i) Dependent Procurement Requirements

Dependent procurement requirement is concerned with dependent demand. Dependent demand is any demand that is caused by an independent demand, or is necessary to the satisfaction of the independent demand. For example, an independent demand for a new car causes dependent demands for all of the components which make up the car. The essence of dependent demand as a pattern is that, a dependent demand is dependent in quantity, quality and timing on its related independent demand. In MSD, to satisfy the requirement of x-ray unit, there must be x-ray machine, films, developer reagents, and other related supplies (Haugen, 1997)

j) Participation

The role of stakeholders in the annual procurement planning plan is vital. Stakeholders' prime function is to carry out their normal duties. Their involvement in procurement is for them a means to an end. Procurement officers must treat stakeholders as customers, bearing in mind that, stakeholders should be encouraged to consider the process as a convenient means of achieving their objectives. Their role in the procurement planning process is to identify the requirements they need to procure and providing input to the annual procurement plan; examining options for the goods, services and works required

for procurement; working with procurement officers to combine requirements to achieve economies of scale while considering packaging options for the requirements, developing requirement specifications, considering the analyses within individual procurement plans with procurement officers and timing their needs (Kakuru, 2004).

k) Communication

The Stakeholder Engaged in preparation of annual procurement plan should properly be communicated to provide them with all necessary inputs. It should be clearly stated, how they will be communicated, and by whom, during the whole program. Communication is said to be efficient when there is bi-directional flow of information. Therefore, before publishing, the procurement plan should be communicated to staff (e.g. through PE intranet), integrating it with the PE business plan, so that staff are informed about how procurement will help to achieve the organizational objectives (Ssemayengo, 2005).

2.3.11 Aggregation of Requirements for the Procuring Entity

The aggregation of requirements takes into account, the market structure for the items required, items which are of a similar nature and which are likely to attract the same potential bidders, the optimum size and type of contract to attract the greatest and most responsive competition or the best prices, items which are subject to the same method of procurement and bidding conditions, items which shall be ready for bidding at the same time, items which shall be subject to the same conditions of contract, potential savings in time or transaction costs, the appropriate size of contract to facilitate the application of any preference and reservation schemes, and the optimum number and size of contracts to facilitate management and administration of contracts by the procuring and disposing entity. Creating a sound financial justification for procuring them, listing all the tasks involved in procuring their services, scheduling those tasks by allocating timeframes and

resources. Through a Procurement Plan template, the procuring entity can quickly and easily define its procurement requirements, the method of procurement and the timeframes for delivery (Basheka 2008).

2.3.12 The Effects of Poor Procurement Plan to Procuring Entity

The entity may face out-of-stock of important materials leading to operation shut down lack of control basis in most of the projects that can lead to loss of important resources such as money, and time; timing for delivery periods and schedule of activities are difficult hence can result into stock-out or over stock situations ; the entity may suffer from procuring sub optimal goods instead of ideal ones that could be procured according to the plan; poor plan may result into emergent procurement hence accelerating operational costs due to non competitive procurement; and costs might be increased due to expediting of orders to avoid running out of stock as results of unrealistic schedule of activities.

Other effects from poor procurement plan is that, can lead to lack of right person through whom the responsibilities and individual tasks could be split each time they are needed to be accomplished; lack of performance indicators that could signify of what is appropriate time on individual task to be done; lead times can hardly be taken into consideration; no plan for dispute mechanisms, testing devices and lack of enough budget to carter all procurement requirements that can arise from time to time; and it does not provide conducive room for the project management team to arrange efficiently the necessary cash flow required for the procurement activities; and no reduction in risks.

2.3.13 Planning for Procurement Risks

It is a known fact that the procedures used in buying locally or domestically are different

from that of overseas in terms of documentation and others (Such as legal aspects, method of payment etc). Therefore, before one can trade in the international market, he should have the skills and ability to engage in such activity. Because of its complexity the planning is inevitable process

It is therefore important to develop strategies which will help to overcome any problem associated with buying overseas “Using a procurement risk plan can help a procurement department demonstrate its value to the organization. Most internal customers don’t understand why procurement needs to follow all the steps that are laid out by the company. So, using a risk plan becomes an educational tool. It teaches what happens if the procurement steps are not followed. It shows them in black and white what can happen (the risk) and how procurement professionals deal with it (the plan). It shows them that procurement wants to help them do business in a less risky way.” At every stage of public procurement, there are risks of integrity. During the pre-bidding period; starting from needs assessment, common risks include lack of adequate needs assessment, planning and budgeting of public procurement, requirements that are not adequately or objectively defined, an inadequate or irregular choice of the procedure and a timeframe for the preparation of the bid that is insufficient or not consistently applied across bidders (OECD, 2007).

2.3.14 Procurement Plan and Customer Service Management

Customer service management concerns with the relationship between the organization and its customers. Customer service is the source of customer information towards what they desire to procure and the feedback of what have been supplied. These should be planned strategically to improve the relationship prevailing between the firm and its customers.

According to PSPTB (2011), as the positive Supplier relationship management is the process that defines how a company interacts with its suppliers. As the name suggests, this is a mirror image of customer relationship management (CRM). Just as a company needs to develop relationships with its customers, it also needs to foster relationships with its suppliers.

The desired outcome is a win-win relationship where both parties benefit. Health care is considered to be different from most other industries due to the high level of regulation, the high proportion of governmental investment, the associated low pressure in respect of effectiveness and efficiency of state-subsidized health care organizations and the lack of orientation towards customer benefit. As a consequence of that, the health care sector shows a relatively underdeveloped information system structure. However, in order to provide optimal health service delivery there is a long-standing practice of including information beyond the traditional boundaries of a single health care organization. Furthermore, there is an imminent obligation for cooperation in order to comply with the requirement of both". Presented by Paul Bilabaye – PSPTB workshop in MSD contract management at Bagamoyo.

The out of stock situation of important items can lead to destruction of the relationship between customers and the firm. A customer is the final user or the identified final beneficiary of the MSD service. There are two sets of customers: internal and external customers. The internal customer is the user or beneficiary department within the same organization and the external customer are the beneficiaries in the communities that they serve. This point can be looked at from the perspective of the order management team providing services to customers, as well as the customer's perspective of the effectiveness of services received from the Order Management team. The quality of service provided to

customers need to be measured and monitored as a basis for management and planning. The most used indicator in this regard is the percentage of orders delivered in full and on time. An important aspect of measuring the customer's view of the services provided is through a customer satisfaction survey. This is done in the form of a questionnaire. Indicators that are quantitative and objective monitor "hard facts" such as inventory availability and lead times. The purpose of requesting feedback from customers is to gather subjective information that cannot be measured. Customers are asked to rate the importance and quality of services received to determine their perception of logistics services.

2.3.15 Reasons for Holding Inventories

Lysons and Farrington (2006) on their book titled purchasing and supply chain management, analyses the reasons for keeping inventories such as to reduce the risk of supplier uncertainty through safety and buffer stocks that provide protection against such contingencies, to protect against lead time uncertainties while maintaining customer service at the required levels, to meet unexpected demands or demand for customization of products as with agile production, to Smoothen seasonal or cyclical demand, to take advantage of lots of purchase quantities in excess of what is required for immediate consumption to take advantage of price and quantity discounts, to edge against expected shortage and price increase especially in the time of high inflation or as deliberate policy speculation, and to ensure rapid replenishment of items in constant demand such as maintenance supplies and office supplies.

2.3.16 The Link between Procurement Planning and Out-of-stock Situations

Out-of-stock occurs where there are mistakes in preparation of procurement plan, due to the reasons that; there has been no control system set afore to counter every forecasted risk

in individual procurements. The estimate of quantities might be wrong causing the operations to run out of stock, may necessitate the companies to use much resources such as money to expedite delivery; this happens if the schedule of the deliveries not well estimated. There must be laid strategies to serve at the periods when demand fluctuates or at peak periods, these are set in the annual procurement plans. In particular, the critical stage of procurement planning is essential for ensuring accountability and community participation.

2.4 Empirical Review

In empirical review, the objective is to narrate on work done by others on similar project elsewhere, detailing on the approach used, outcomes, experiences and lessons learnt and their similarity and relevance to procurement planning in public institutions.

2.4.1 Studies from Tanzania

Most of the PEs still finds it difficult to fit in their procurement plan within the national budget. Many of the procurement Management units and member of the tender boards admit that differences in timing of procurement activities and release funds are one of their common challenges in preparing annual procurement plans. It is therefore not surprising to see that most of the PEs have the APP in place but the actual procurement activities do not adhere to plans (Mrope, 2008)

Mapande (2005) on her research on factors affecting preparation and controlling of procurement plan in public sector (A case study of Ilala municipal council) found out that the council had procurement plan but there were few problems which were encountered in preparation and execution are some of the procurement activities were conducted by unprofessional staff, secondly in spite of the fact that there was procurement plan still the

organization was facing problem of emergency cases this was due to the fact that, the prepared plan was not properly prepared due to lack of adequate information

Haraba (2008) on her research on an assessment of impact of procurement plan enhancing performance of the organization (A case study of Tanzania Cigarette Company limited) revealed the following problems; lack of proper procurement format to be used and delays from stakeholders or sections to submit their necessary requirements to be used in compiling the annual procurement plan

Majinge (2010) highlighted among the challenges of value for money in PEs such as lack of implementation of the annual procurement plan in procurement proceedings in individual procuring entities, high costs in tendering processes, deficiencies in the procurement planning process, evaluation procedures of goods base much on price to obtain the lowest evaluated bidder, and poor and non clear specifications of goods that pose difficulties for the suppliers to deliver right products.

Mpalaza (2010) when analyzed the effectiveness of procurement planning through Materials Requirement Planning (MRP) at TANESCO declared that despite the essence the proper procurement planning has, the implementation is not much adhered; there are frequency interruption of processes and the sequence of schedule of procurement activities are not followed serially as per plan. Mpalaza also noted that there is poor timing in preparation of annual procurement plan.

Kanyika (2007) when explaining the effects of drugs stock outs to the customers contented; "Partial stock-out result from in-store dysfunction in replenishment of stock, whereas complete stock- outs result from dysfunction in forecasting and ordering at the

store level or in delivery from central warehouse to zonal store. Stock-out decrease seller profitability in several ways; firstly, customers may decide to buy items from another store or cancel their purchase. In addition out of stock contributes to negativity to the store image, and excessive stock-outs frequency may lead the customer to switch to another store completely.

2.4.2 Study from African Countries

CEPA (2011) identified the procurement plan as one of the reasons causing out-of-stock of drugs in many countries pointing examples of several countries of Africa. The study also recommended that there should be Coordinated Procurement Planning Program developed as a global tracking system to support countries to monitor and address stock-outs of HIV/AIDS-related drugs, commodities, and equipment.

Stock-out-costs are costs associated with running out of inventory, while the avoidance of these costs is the basic of why stocks are held in the first instance. These costs include loss of contribution margin due to loss of sale because customers go elsewhere to avail the same, costs of operation stoppage, ruining of goodwill, complaints or accelerated pains or even deaths in hospitals due to absence of essential drugs and supplies and so on.

The study for the factors contributing to EMHS stock outs at health facilities have been established and documented in previous studies in Africa, Southern America and Asia. In Africa, (Erah et al, 2003), stock out of EMHS at primary health care units is influenced by a variety of interrelated factors at both supply and consumption ends. It was found by the studies that, late order placement by health facilities and districts to Suppliers, late payment for previous drug supplies, poor supplier lead time, higher level facilities not sending enough essential drugs, higher facilities not sending products in time and

inadequate procurement policies are some of the factors affecting the supply of EMHS leading to stock out at the health facilities

Table 2.1 Causes of Drugs Stock-out of ARV in Africa

GLOBAL:
Global tracking system not developed. A study of partner funding streams is being implemented to identify gaps and issues relating to supply chain management and stock-outs, with follow-up planned to address country-specific issues
Kenya:
Weak supply management systems, with no central tracking of stock-outs. Interrupted supplies and drug stock-outs occur. In 2009, SMS49 Pill Check Week assessed over 150 health sites and found widespread stock-outs of essential medicines, including first-line ARVs and cotrimoxazole
Mozambique
Poorly functioning supply chain management and logistics systems, with no central tracking. Stock-outs occur, causing unavailability of drugs and medications. Limited availability of cotrimoxazole exacerbated by supply chain problems.
Nigeria
Weak procurement and supply management of essential commodities, with no tracking of stock-outs
Uganda
Weak supply chain mechanism, with no tracking of stock-outs. Low availability of HIV drugs for infants and PPTCT+Irregular supply of first-line ARVs. In 2009, SMS Pill Check Week assessed 11 districts and found major stock-outs, especially of pediatric preparations.
Zambia
Weak supply chain mechanism, with no tracking of stock-outs. Stock-outs at health facilities are common. ⁵⁸ SMS Pill Check Week found widespread shortages of ARVs and cotrimoxazole. ⁵⁹

Source: CEPA Research 2011

Other factors included, increased consumption, lack of knowledge of appropriate EMHS management, inadequate product selection and quantification, expiration of drugs, improper storage, inadequate technical support supervision and insufficient resources that is financial, human and transport. Irrational EMHS prescription and dispensing by health service providers has been found to contribute to the stock out of EMHS at health facilities. The study therefore aimed to establish which specific factors were contributing to the persistent EMHS stock outs despite strategies to improve availability.

2.4.3 Studies in the World

Country Procurement Assessment Report-Croatia (2004) had the following finding: Procurement planning, if done at all, is generally weak, with plans reviewed for the assessment consisting of little than a list of contracts with budget numbers attached. They are essentially financing plans, with no consideration given to timing, contract packaging, the most appropriate procurement method or interdependence between different contracts on the critical path of a project. The single greatest weakness of procurement planning in Croatia, as evidenced by the audit findings of the state audit office, is that such planning as is done generally does not start until half way through the fiscal year. This gives rise to a number of negative outcomes, including restricting the contracting authority's choice of procurement method as there is often insufficient time to conduct the open procedure, it reduces the margin for error or delay before fiscal year end and, according to the audit findings of the state audit office it leads to many procurement procedures not being completed before the end of the year, which means that financial resources remain unused.

Several major ministries complain about disconnection between financial planning and budgeting, on the one hand and procurement procedures on the other. Many go out for civil works contracts even before they have taken over the site, simply because they have

the fund and are concerned about lasting them if they won't spent them by fiscal year end. This often results in the commencement of works being delayed, as the site is not ready for the contractor to take over and utilities connections have not been arranged. One of the largest ministries reported that all its work contracts run late and overprice for these reasons. The report of audit also perceived that the problems were related to insufficiently elaborated procurement plans and lack of their consistency with financial plans (Country procurement assessment report - Croatia, 2004).

Dobler and Burt, (1997:19); in their study Procurement paining in public organization pointed out that procurement is one of the basic function common to all types of business function. These functions are basic because no business can operate without them. Today, most of the firms would agree that procurement function should be an integral part of the operation in an enterprise.

2.5 Research Gap

MSD ought to find all means to satisfy customers requirements right first time so as to save life. This is not for Profit Company; it is rather a service oriented company. Many researchers at the MSD sought much on how inventory management had impact to the availability of drugs and medical supplies at MSD. Unskilled personnel also seemed to be one of the bottlenecks leading the orders to be not accurately forecasted. The study by Kanyika (2007) on out-of-stock problems and its impact to customer service verifies that the problem is not new phenomenon to be studied. PP is considered a crucial program to minimize any sort of gaps that can result or accelerate stock out of drugs by considering right time and place. It is noted here that there is a gap of knowledge that need to be studied to identify the deficiencies in APP that contribute to the growing Stock outs. Most of the authors talked about importance of APP, effectiveness of the APP and APP in local

government ignore the preparation of APP which is the research gap left by authors therefore the focused on the factors hindering MSD in preparation annual procurement plan.

2.6 Theoretical Framework

The literature has led the researcher to summarize the variables into dependent and independent ones in relation to the research topic. The independent variables as in Figure 2-2, were selected with the criteria that could be assessed whether they are currently supporting the dependent variable in the entity being studied to measure the point of, the effective implementation of the annual procurement plan in MSD.

Effective procurement planning: Procurement planning is process of determining the procurement needs of any entities and timing of the acquisition and their funding such that the entities of operations are met as required in proper and efficient way (PPRA, 2007).it is said to be met when all expectations of particular procurement is fulfilled

Availability of funds in time is an essential element during procurement process since, any delay or inadequate funds can have negative impact in preparation of APP. The funds should be allocated on time to enable designed plan to be in implemented strategically. Participation is the important pillar for promising procurement planning since brainstorming or collective ideas minimize if not eliminate biasness in designed plan. Ideas from various section or department in PEs are very paramount, because through this pillar staff can work as team, they also can be in the position of exchanging or sharing ideas, experience and even knowledge (Mlinga, 2008). Because no plan without information, and no reliable information without full participation or cooperation between one section and another within the procuring entity.

Skills and Knowledge are very essential in preparation of APP, the whole process from the point of recognition of the need to the point of disposal should be done professionally based on this fact, those who engage in the process should be well skilled and knowledgeable in order to facilitate efficient and effective procurement plan (Mrope, 2005).

Communication: procurement planning task cannot be executed without having enough information and this information can only be available if there is proper communication from one section to another. Procurement Timing: Procurement planning need time for scheduling the requirements needed and for tendering process which will enable smooth flowing of activities within a specified period and hence to achieve value for money.

2.7 Conceptual Framework

In evaluating the practices of preparing annual procurement planning and stock-out situation of drugs at the MSD the researcher through various concepts in both theoretical and empirical review highlighted some important issues in Value for Money the status of which if the firm obtains cannot run out of stock. Therefore the literature has led the researcher to summarize the variables into dependent and independent ones in relation to the research topic. The independent variables were selected with the criteria that could be assessed whether they are currently supporting the dependent variable in the entity being studied to measure the point of, the effective implementation of the annual procurement plan in MSD

The factors that lead to effective procurement plan are independent variables; and the effective procurement plan on one hand is a Dependent variable.

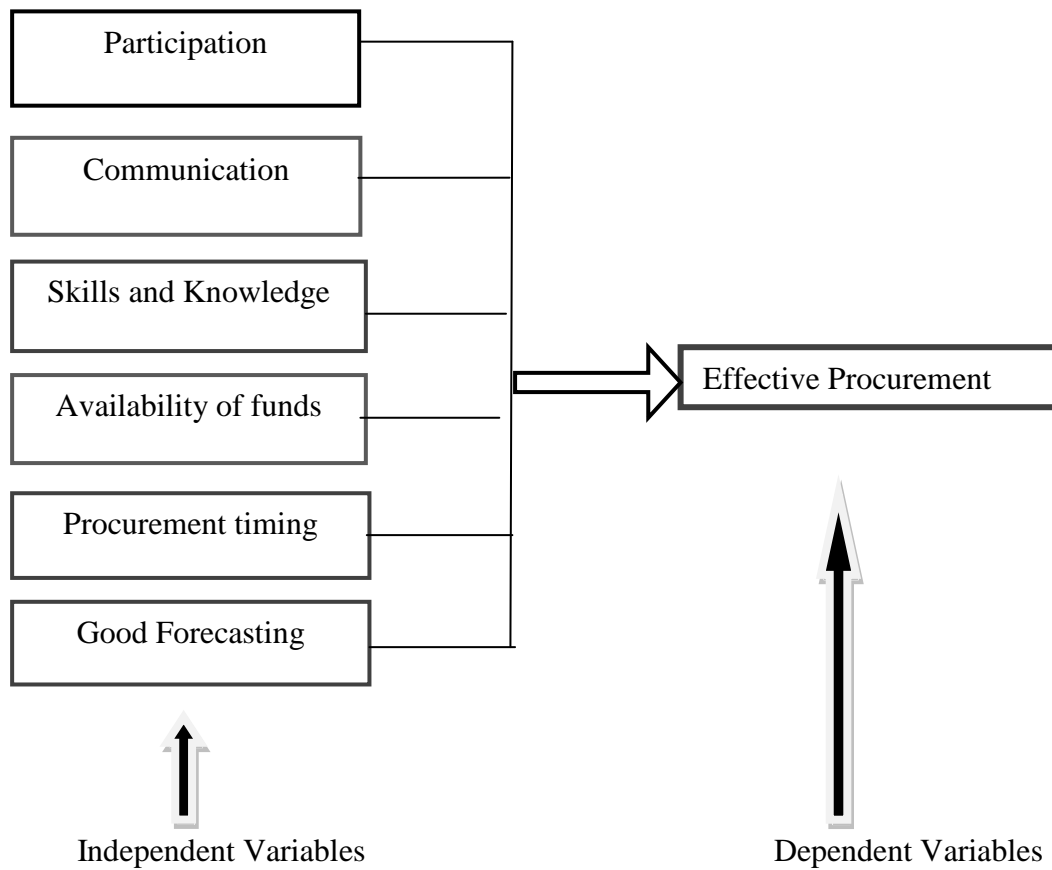


Figure 2-2: Conceptual Framework

SOURCE: RESEARCHER

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter focused on the methodologies that were used by the researcher in finding data enough to finalize the study. It includes the areas of the study, research design, data collection methods, sample size, sampling methods and data analysis methods.

3.2 Research Paradigm

Research paradigm is defined as the broad framework, which comprises perception, beliefs and understanding of several theories and practices that are used to conduct a research Morrison (2000). It is characterized as a precise procedure, which involves various steps through which a researcher creates a relationship between the research objectives and questions. There are mainly three type of paradigm to understand the reality, Positivism, Interpretivism and realism

The researcher used Realism philosophy during the study at MSD. This research philosophy mainly concentrates in the reality and beliefs that are already exist in the environment. In this philosophical approach, two main approaches are direct and critical realism. Direct reality means, what an individual feels, see, hear, etc. On the other hand, in critical realism, individuals argue about their experiences for a particular situation. This is associated with the situation of social constructivism, because individual tries to prove his beliefs and values (Kasi ,2009).

3.3 Research Design

With respect to the study in hand, the conceptual part is addressed by specifying the

central research questions. The formulation of the central research question for this research leaves room for interpretation as how to approach and address it: descriptively or prescriptively. The descriptive approach leads to a description of the determinant as found from practice in the existing situation. A presentation interpretation implies providing a presentation, and contains a more normative or opinion- oriented, answer to the research question such an answer would likely reflect a wish which need not to be grounded on practical reality. In this study, the choice has been made to use a description of the determinants as found in practice in the current situation in Tanzania.

A description of practices allows an analysis to be performed based on the practical reality so as to arrive at conclusions that address that reality. A description of practices is also critical for gaining insight into practices and providing a sound basis for judging this effectiveness- a central issue in this research and forms a reliable basis for providing recommendations for further improvements.

Qualitative and Quantitative research approaches was used during data collection. Saunders and Lewis (2009) define qualitative research approach as multi-method in focus involving interpretive and naturalistic approach to its subject matter. Employment of qualitative approach is associated with the use of research methods such as interviews and questionnaires.

The research methods provide flexibility with regard to data collection a situation which enabled the research to obtain information through triangulation method. Qualitative approach was used because it gave an opportunity for one aspect of a problem to be studied in depth and enabled it the research to collect facts and study this relationship in order to find sources of the problem as well as solution

Quantitative research approach was used to collect qualified data. In due regard it is an approach which produces findings arrived at by means of statistical produces or other means of quantification (Fisher,2010). The rationale for intending to use quantitative approach is that the approach does not consume time and, therefore, much data was collected, analysed and computed within a short paned According to Marshall and Rossman (1980), quantitative approach reduces data to numerical indices hence makes generalization possible.

Conclusively, the study was using both qualitative and quantitative research approaches because both approaches are compatible. Thus according to Saunders and Lewis (2009), during the study the researcher enjoy the rewards from both numbers (quantitative) and words (qualitative). Thus the combination of data from interviews and observation and computed percentages, enables the researcher to draw valid conclusion and put forward researchable issues for further studies.

3.4 Area of the Study

The research was conducted at the medical stores department in Dar Es Salaam as a case study. This was intended to minimize the cost of research because the research is working in DSM. The concentration has cut through procurement section, inventory management section, warehouse department, and customer service section The Medical Stores Department (MSD), was created by an act of Parliament in 1993 as autonomous department of the Ministry Of Health and Social Welfare.

3.5 Population and Sample Size

Population according to Kombo and Tromp (2006) it is any set of people or events from which the sample is selected and to which the study results will generalize. The population

of the study was staffs of MSD Headquarters and the Customers of MSD. MSD is the public procuring entity operating in Tanzania.

Sample is a group of people or events drawn from a population. A research study is carried out on a sample from a population. The goal is to be able to find out true facts about the sample that is true of the population. In order for the sample to truly reflect the population, you need to have a sample that is substantially representative of the population (Babbie, 1989).

The researcher drew a sample of 36 respondents where 12 were from PMU and 24 respondents from end user department.

3.5.1 Systematic Sampling Procedures for Documents

According to Babbie (1989), Systematic sampling - drawing every kth person, i.e., to get a random sample of voters you select every 10th person from the Voter Registration Roles at the courthouse. Through observation the researcher visited sales section and drew every 10th vouchers systematically to find out records of stock-outs as experienced from through back orders

3.5.2 Purposive Sampling Procedures

Purposive sampling is a sampling method in which elements are chosen based on purpose of the study. Purposive sampling may involve studying the entire population of some limited group or a subset of a population. As with other non-probability sampling methods, purposive sampling does not produce a sample that is representative of a larger population, but it can be exactly what is needed in some cases - study of organization, community, or some other clearly defined and relatively limited group. It depends much

on discretion of the researcher as to what extent the targeted sample is likely to provide relevant information than any other group in the population Babbie, (1989) Purposive sampling procedures was applied specifically for those officers the researcher expects to obtain relevant data

3.5.3 Convenience Sampling Procedures

Convenience sampling also known as grab or opportunity sampling, is a type of non probabilistic sampling which involves the sample being drawn from that part of the population which is close to hand. That is, a population is selected because it is readily available and convenient. It may be through meeting the person or including a person in the sample when one meets them or chosen by finding them through technological means such as the internet or through phone. The researcher using such a sample cannot scientifically make generalizations about the total population from this sample because it would not be representative enough, Babbie (1989). According to the nature of study, the researcher used convenience sampling procedures to obtain facts from MSD customers

3.6 Types of Measurement

There are four levels of measurement according to Kothari, (2009) the researcher can apply in data analysis namely; nominal, ordinal, interval and ratio. These constitute a hierarchy where the lowest scale of measurement is nominal. It is used in classifies individuals, companies, products, brands or other entities into categories where no order is implied. It has far fewer mathematical properties than those further up this hierarchy of scales. Nominal scales yield data on categories;

Ordinal scales give sequences; it involves the ranking of individuals, attitudes or items being scaled. Interval scales begin to reveal the magnitude between points on the scale.

With interval scaled data that researchers can justify the use of the arithmetic mean as the measure of average. The interval or cardinal scale has equal units of measurement, thus making it possible to interpret not only the order of scale scores but also the distance between them.

Ratio scales explain both order and the absolute distance between any two points on the scale. Ratio scales permit the researcher to compare both differences in scores and the relative magnitude of scores. For instance the difference between 5 and 10 minutes is the same as that between 10 and 15 minutes, and 10 minutes is twice as long as 5 minutes.

3.7 Measurement Scales

Dillon, (1994) explains various types of scales as used in marketing research falling into two broad categories: comparative and non comparative.

a) Comparative Scales

In comparative scaling is where one can compare one brand or product against another. it involve the respondent in signaling where there is a difference between two or more producers, services, brands or other stimuli. Examples of such scales include; paired comparison, dollar metric, unity-sum-gain and line marking scales.

b) Non-comparative scales involve Continuous rating scales: The respondents are asked to give a rating by placing a mark at the appropriate position on a continuous line. The scale can be written on card and shown to the respondent during the interview. With non-comparative scaling respondents need only evaluate a single product or brand. Non-comparative scaling is frequently referred to as monadic scaling and this is the more widely used type of scale in commercial marketing research studies.

3.8 Data Collection Methods

The study used both primary and secondary data for the researcher to achieve research objectives. Data means information which helps researcher to achieve research objectives. The quality of research largely depends on collected information. The more reliable data leads to more trustworthy research. This is dependent on data collection method that researcher selected to achieve the objectives. Data helps the researchers in decision making.

a) **Primary data** were obtained through questionnaire and interview; Data which were collected by researcher are said to be primary data. These data provide raw form of information that was tailored according to the need of study.

b) **Secondary data** are data which are not collected or gathered by researcher himself or herself, it's termed as secondary data. This type of data has previously collected by someone else for some other purpose (Hodges and Videto, 2005). There are two benefit of this data collection method. This method is less expensive and less time consuming. Through this method, data can be obtained easily and quickly but it's not authoritative. On the other hand, these data may not fit to the needs of other studies as were collected by third party for their own purposes. Books and periodicals, Government sources, Regional Publications, commercial sources, media sources and selected internet sites that provide financial data are some example of secondary data sources.

3.9 Data Collection Tools

3.9.1 Interview Method

As per Boba (2005), the study used both structured and unstructured interviews in probing facts from respondents for analysis. Interview is the type of data collection method of which the researcher collects data by communication with respondents through personal

meeting or via telephone. Open and closed questions were used depending on the situation on hand. Data collected under interview were primary data which were used in analysis in chapter 4. Researcher must be clear about the purpose of research before designing the interview questions. Each question should relate to research problem. Through this method, the researcher was able to access nonverbal behavior hence got immediate feedback.

3.9.2 Questionnaire

This method mainly used in survey because it is cheaper to use and the responses are easily generalized. In this method, researcher related question format distributed to respondents so that the same kind of information were to be collected efficiently. Generally, by this method the researcher is able to collect data from wide geographical area as it is cost effective and easy to manage but also it is time consuming. Questionnaire can be open-ended and close ended. In open ended questionnaire, alternative responses not mention and in other alternative responses are provided to respondents. This method requires only literate respondents so it creates barriers for this to be applied to illiterate ones.

3.10 Validity and Reliability of Data

3.10.1 Validity

Validity is the accuracy of the information generated. It is really measuring what it claims to be measuring. Validity refers to the degree to which a study accurately reflects or assesses the specific concept that the researcher is attempting to measure. While reliability is concerned with the accuracy of the actual measuring instrument or procedure, validity is concerned with the study's success at measuring what the researchers set out to measure Kothari, (2009). The data and information obtained from the study with interview and

questionnaire were valid to the best knowledge of the researcher. These were administered and collected from authorized personnel at MSD Headquarters therefore were sorted, coded and tested before analysis to prove the proper appreciation for the quality of the study and information that were obtained. By applying validity, the study captured all aspects of APP, for example the researcher reviewed through PPA 2004, PPRA guidelines, and Regulations. The study pursued to capture data using appropriate instruments to make them valid

3.10.2 Reliability

Reliability is the extent to which an experiment, test, or any measuring procedure yields the same result on repeated trials. In addition to its important role in research, reliability is critical for many parts of our lives, including manufacturing, medicine, and sports. Reliability is such an important concept that it has been defined in terms of its application to a wide range of activities. The reliability of measure indicates the extent to which it is without bias (error free) and hence ensures consistent measure, Sekaran (2003). The researcher ensured reliability of data and information by making cross check on the data obtained through questionnaire against those collected by interview. All the data and information examined during the study particularly yielded the related results.

3.11 Data Management and Analysis

a) Data Management

According to Boba, (2005), Data management is the development and execution of architectures, policies, practices and procedures in order to manage the information lifecycle needs of an enterprise in an effective manner.

The researcher collected data through questionnaires that designed to fulfill the requirements of the research questions. The researcher checked if the questionnaires are

answered effectively. Then the data were summarized, coded, synchronized and presented for depicting the reality of the procurement planning in order to proceed with the next step of analysis.

b) Data Analysis

The study analyzed the collected data to assess how MSD practices in preparation and the process of planning procurement activities attempting to ascertain if the procedures concur to the literature and legal requirements. In this study, the primary purpose of data analysis was to find evidences from the field in order to answer the research questions. The data were analyzed in both quantitative and qualitative way and presented in percentages.

Due to nature of the study the researcher used Microsoft excel and Statistical for Social Science(SPSS) for data analysis to produce required information. The analyzed results were the source of the research's discussions which becomes the basis of facts to policy makers and all stakeholders in Tanzania. The usefulness of analysis and discussion enabled the researched work to be reasonably explained in a manner that is easily understandable by the reader. The discussions involved the people having insight into planning for procurement who picked up errors and helped on the observation of gaps prevailed at time of writing this paper.

CHAPTER FOUR

4.0 RESEARCH FINDINGS ANALYSIS AND DISCUSSION

4.1 Introduction

This chapter presents the analysis and discussion on the research findings obtained from the field using different tools, namely questionnaire and interviews. The prime purpose of data analysis is to ultimately provide evidence in form of responses to the research questions in respect to the stated objectives, which was formulated to assist in assessing the overall objectives of this study. The later was access the factors hindering MSD in preparation of annual procurement plan, a case of MSD headquarters in Dar es Salaam.

4.2 Specific Observation

The data that were collected from the field has been presented, analyzed, and discussed in order to give meaningful information. The study aimed at investigating the factors hindering the preparation of annual procurement plan at medical sores department Dar es Salaam

In this chapter, response rate has been dealt with first, followed by the characteristics and findings from the Management staff and then followed by that of the characteristics and findings from MSD staff and customers.

Frequency distribution was used to organize data, to give meaning to the response rates and facilitate insight. In the relevant tables the frequency distribution of responses has been ordered in the order of occurrences from the highest to the lowest occurrences obtained from the responses. Furthermore, the tables, and figures were drawn using of excel as well as the statistical package for social science (SPSS).

4.2.1 Study and Response Rate

The sample size was 36 in total which contained two groups of people; Management and technical staff. Out of the 36 questionnaires and interview conducted, 34 responses were collected, this represent a response of 94.1 percent of total distributed questionnaires as summarized in the table below,

Table 4.1: Distribution and Collection of Questionnaires.

Respondents	Questionnaire distributed	Questionnaire Collected
Procurement Management Unit	12	10
User departments	24	24
Total	36	34
Response rate	100	94.1

Source: Field Data

As shown in the Table 4.1, 2 questionnaires for Procurement Management Unit were not collected because were out of the office till time for collection despite the effort made by the researcher,

4.3. The Characteristics of Respondents.

In this part, the sample characteristics were fully analyzed. For this study, the sample size was the characteristics of Medical store department (MSD). The characteristics observed included age, gender, academic qualifications and working experience. The review of these characteristics gave some justifications as to why the answers of the respondents may vary according to the respondent's characteristics. A sample size of 34 staff was taken and the following were its characteristics.

4.3.1 Gender of Respondents

The question was asked to all respondents about their gender, the finding shows that 19(55.9%) of user and PMU department were male and 15(44.1%) of user department and PMU were female. As shown in table 4.2 below

Table 4.2 Gender of Respondents

Valid	Gender	Frequency	Percent	Valid Percent	Cumulative Percent
	Male	19	55.9	55.9	55.9
	Female	15	44.1	44.1	100.0
	Total	34	100.0	100.0	

Source: Field Data

Table above showed that out of the two categories, Procurement Management Unit and user departments, it was noted that there was no much gender differences although men are many compare to the women. For the case of this research, it is imperative to understand that gender has a great effect on the organizations. The summary of these findings were shown in the table above.

4.3.2 Respondents Age

As shown in Figure 4.1, majority of user and PMU department respondents had the age ranging between. 36-45 making 17(50%), followed by the group ranging between 46-55 of user and PMU department making up 9(26.5%), the age between 25-35 were 6 making 17.6% and the minority 2(5.9%) of user and PMU department were in the age above 56.

Figure 4.1 above showed that majority of MSD staff fall under the age between 36-45 constituting 50% of all employees that The age structure shows that MSD is mostly

composed of highly energetic workforce that may indicate its vision to adapt the rapidly changing business climate in the country. Furthermore, this age structure is suitable for this research as the employees who have been studied here are more likely to be in the organisation for a long time hence they have a very important role for the future performance (well being) of the organization.

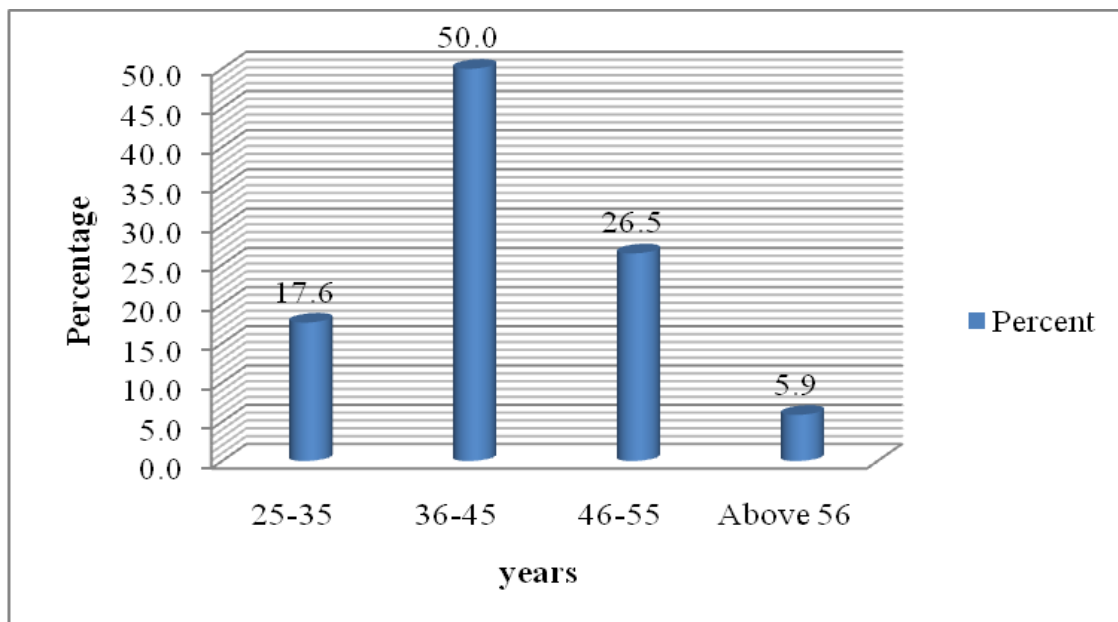


Figure 4.1 Age Profile of MSD Staff

Source: Field Data

4.3.3 Education Level of MSD

Most of the respondents that were sampled are graduate i.e. have a degree. Out of 34 respondents 18 had a degree making up 52.9 percent of total respondents. Masters holders respondents were 9 equivalents to 26.5 percent of the sample size, 5 respondents equivalent to 14.7% of respondents were diploma holders and those who had certificate were 2 making 5.9 percent. This shows a large number of masters degree and first degree responded to the questionnaires. This response rate referred in Table 4.4 indicates the fact that, MSD has a strong base of qualified staff in the field of procurements.

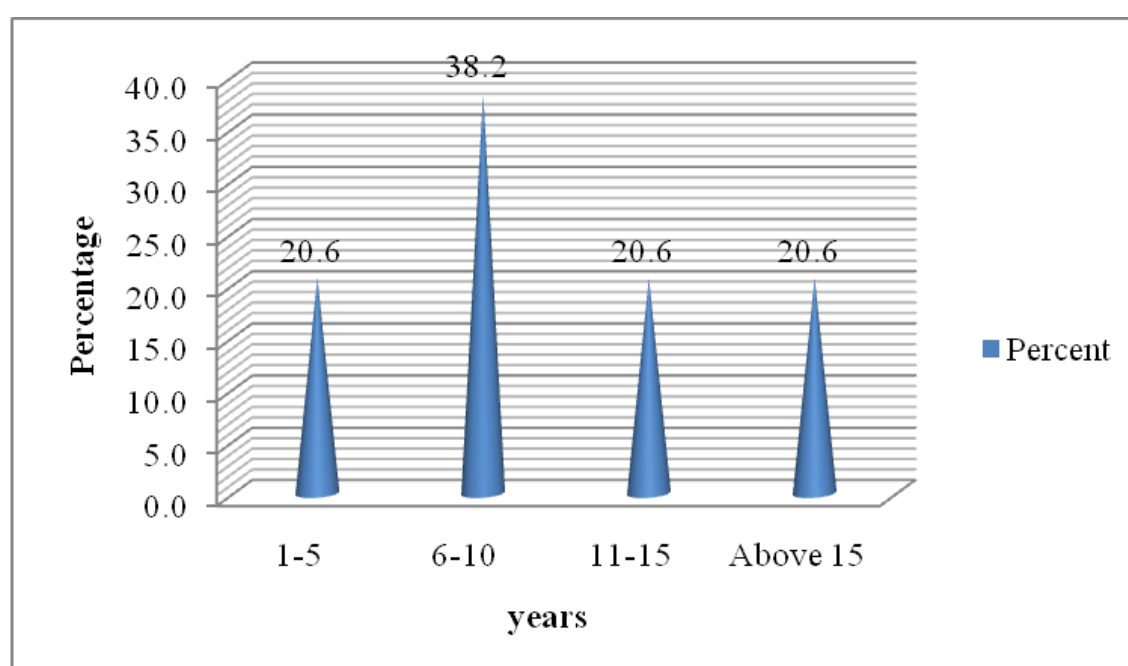
Table 4.3 Education Level of MSD

Valid	Education	Frequency	Percent	Valid Percent	Cumulative Percent
	Certificate	2	5.9	5.9	5.9
	Diploma	5	14.7	14.7	20.6
	Degree	18	52.9	52.9	73.5
	Masters	9	26.5	26.5	100.0
	Total	34	100.0	100.0	

Source: Field Data

The finding from table 4.3 indicated that most of the respondents at MSD have degree and masters as 52.9 were degree holders and 26.5% were masters holders. This response indicates the fact that, MSD has a strong base of qualified staff in the field of finance and Accounting.

4.3.4 Respondents' Working Experience

**Figure 4.2: Respondents Working Experience**

Source: Field Data

The researcher wanted to know distribution of working experience in order to be sure of the quality of responses thus satisfy with the inputs made to the research. The distribution table shows that most of the respondents lie between the ages of 11-15 years, which is adequate experience to be able to provide relevant responses to the research.

As indicated in figure 4.2, the majority of the respondents follow to a class of working experience between 6-10 years which is 38.2percent of all respondents. The other groups were 1-5, 11-15 and above 15 years all had 7 respondents making 20.6% each.

4.4: Awareness of the Employees at MSD on the importance of Annual Procurement Plan

The first specific objective aimed at determining employee(s) awareness on the importance of annual procurement planning at MSD. This specific objective was accompanied with the following questions.

4.4.1 Awareness on the Importance of using Procurement Plan

Table 4.4 Awareness on the Importance of using Procurement Plan

Valid	Awareness	Frequency	Percent	Valid Percent	Cumulative Percent
	Yes	29	85.3	85.3	85.3
	No	5	14.7	14.7	100.0
	Total	34	100.0	100.0	

Source: Field Data

The question was asked to the respondents if they know the importance of using procurement plan. The findings shows that 29(85.3%) of the respondents from PMU and user department agreed that they are aware on the importance of using procurement plan

while 5(14.7%) of the respondents from user department said no because they did not involved in preparation of APP.

This implies that most of respondents from MSD that is (85.3%) were aware on the importance of using procurement. This complies with Harvey MacKay who said that “failures don’t plan to fail; they fail to plan”. Planning is a vital part of a procurement officer’s activity. The amount of planning undertaken is one of the distinguishing characteristics between good procurement professionals and others.

4.4.2 Involvement of Employees in Preparation of Annual Procurement Plan

The respondents were asked if the employees are involved in preparation of procurement plan. The findings shows that 21(61.8%) of the respondents from user department said Yes that is they are involved in preparation of annual procurement plan while 13(38.2%) said no, that is they are not involved in preparation of Annual Procurement Plan,

Table 4.5 Involvement in Preparation of Annual Procurement Plan

Valid	Involvement in preparation	Frequency	Percent	Valid Percent	Cumulative Percent
	Yes	21	61.8	61.8	61.8
	No	13	38.2	38.2	100.0
	Total	34	100.0	100.0	

Source: Field Data

The finding shows that MSD employees are involved in preparation of procurement plan as 61.8% agreed but 38.2% of respondents said they were not involved this indicate that at MSD there was employee involvement in preparation of annual planning but not all employee are involved..

4.4.3 Presence and use of Annual Procurement Plan Templates during Preparation of Annual Procurement Plan

The respondents were asked if there is Presence and use of Annual Procurement Plan templates during preparation of Annual Procurement Plan. The finding shows that 29(85.3%) of the respondents from user and PMU department agreed that Annual Procurement Plan templates is used during preparation of Annual Procurement Plan while 4(11.8%) of the respondent said that they don't know and the rest 1(2.9%) of respondents did not agreed on the use of Annual Procurement Plan templates during preparation of APP. As shown in figure 4.3 below.

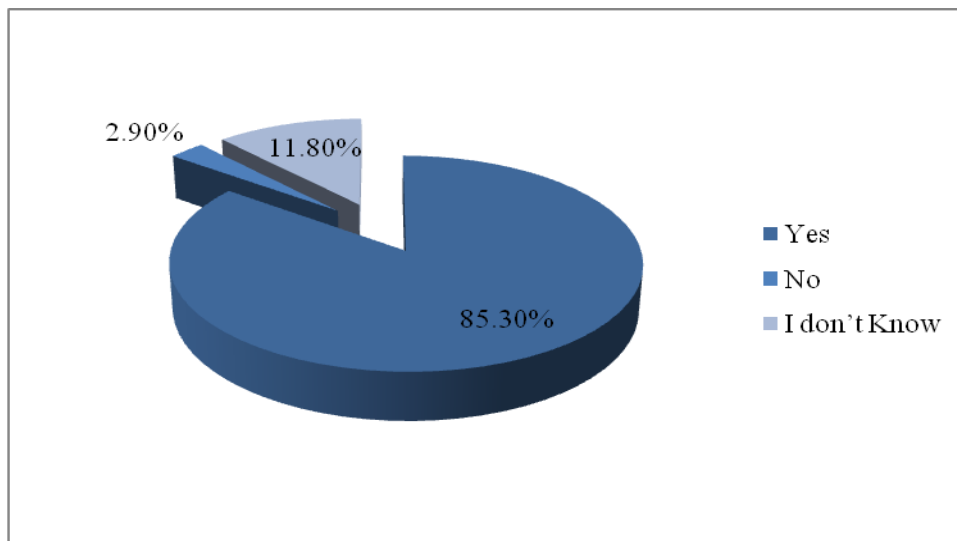


Figure 4.3 Presence and use of Annual Procurement Plan Templates during Preparation of Annual Procurement Plan

Source: Field Data

Figure 4.3 above indicates that annual procurement plan templates is used when preparing Annual Procurement Plan. Thus Annual Procurement Plan prepared by MSD complies with the regulations set/formed by PPRA. PMU and user department knows that the annual procurement plan is also the first step in the procurement planning process. Ideally,

the relationship that procurement officers have with stakeholder departments should be so close that they are involved at an early stage of the budgeting round and asked for their view of the likely cost of given purchases to feed into the budget

4.4.5 The effectiveness of Annual Procurement Plan

The respondents were asked about the effectiveness of Annual Procurement Plan. The finding shows that 16(47.1%) of the respondents from PMU and user department said it is not effective, 13(38.2%) of the respondents from PMU and user departments said that it is effective and 5(14.7%) of the respondents from PMU and user departments said it is very effective.

Table 4.6. The effectiveness of Annual Procurement Plan

Valid	Response	Frequency	Percent	Valid Percent	Cumulative Percent
	Very Effective	5	14.7	14.7	14.7
	Effective	13	38.2	38.2	52.9
	Not effective	16	47.1	47.1	100.0
	Total	34	100.0	100.0	

Source: Field Data

Table 4.6 above revealed that the rate of effectiveness of APP is not effective. This indicates that although employees are invited during preparation of the APP, the annual procurement plan is not implemented or followed during the daily procured routine. . 13(38.2%) of respondents said it is effective. This indicates that some employees agreed that the APP is followed by organization and it is effective.

4.5 Techniques / Criteria which are used in Preparation of Annual Procurement

Planning at MSD

The second objective from this study aimed at finding Techniques / Criteria which are used in Preparation of Annual procurement planning at MSD. The following question was asked relating the objective

4.5.1 Training on Annual Procurement Plan

The respondents were asked if they have attended any training related to annual procurement plan. The finding shows that 30(65.2%) of the respondents from user departments said that they did not attended any training related to procurement plan while 16(34.8%) of the respondents from user and PMU said they attended training related to Procurement Plan.

Table 4.7 Training on Annual Procurement Plan

Valid	Training	Frequency	Percent	Valid Percent	Cumulative Percent
	Yes	12	35.3	35.3	35.3
	No	22	64.7	64.7	100.0
	Total	34	100.0	100.0	

Source: Field Data

It implies that employee are not attending seminars related to annual procurement plan as it showed that out of 34 respondents who were asked about attending the seminar 22 said had not attended. It shows that people work through experience or adoption from other workers, the previous question was if there are template used for annual plan the answer was yes but employees are not attending training they learn through others at their working place.

4.5.2. Level and Capability of Understanding the Need for Annual procurement Plan

The respondents were asked if they understand the need of annual procurement plan. The finding shows that 32(94.1%) of the respondents user and PMU department said they understand the need of having APP while 2(5.9%) of the respondents from user department said that they did not understand the need of having Annual procurement plan. As indicate in table. 4.8 below

Table 4. 8 Level and Capability of Understanding the Need for Annual procurement Plan

Valid	Level and Capability	Frequency	Percent	Valid Percent	Cumulative Percent
	Yes	32	94.1	94.1	94.1
	No	2	5.9	5.9	100.0
	Total	34	100.0	100.0	

Source: Field Data

This implied that almost all employees at MSD understand well the need of having Annual procurement plan.

The second question was designed to identify the general understanding of all participants (respondents) of the application and importance of the annual procurement plan. It was targeting not only how the situation is at the MSD but rather the understanding of how important the procurement plan is to any company and the factors that can cause this plan to be inefficient. With this question the study wanted to assess the understanding of the procurement officers, customers, customer service staffs and inventory analysts towards the procurement plan in the operations. The responses from this question showed that all procurement officers and inventory analysts (94.1%) know well the importance of the procurement plan but among the respondents These are the key persons who meet the

customers and that would be very important for them to insist on this importance for the customers to participate in preparation of annual procurement plan. Their inputs are very crucial for the success of the business simply because that is the point where the needs originate.

4.5.3 Knowledge and Skills of the Personnel who are Involved in Preparation of Annual procurement plan

The respondents were asked on the Knowledge and Skills of the Personnel who are involved in preparation of Annual procurement plan. The finding shows that 26(76.5%) of the respondents from user and PMU department agreed that the personnel involved in preparing APP are having the necessary knowledge and skills required while 8(23.5%) of the respondents from user and PMU department said that they did not agree that personnel involved in preparation of APP are not having the necessary skills and knowledge that are required.

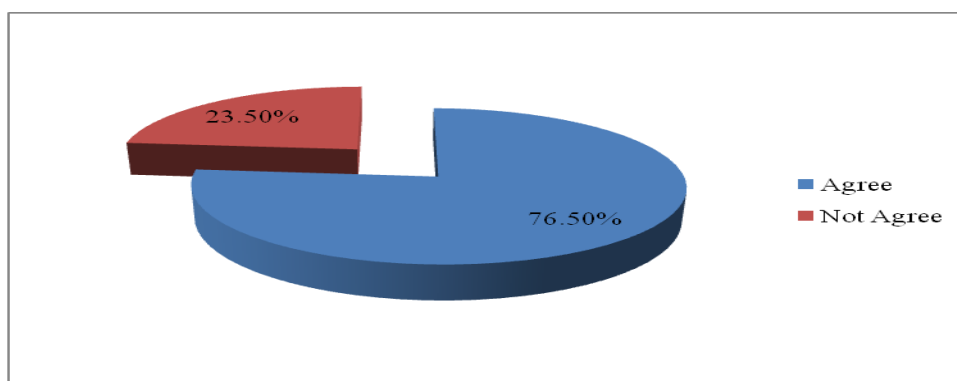


Figure 4.4 Knowledge and Skills of the Personnel who are Involved in Preparation of Annual procurement plan

Source: Field Data

This implied that the personnel involved in preparation of APP at MSD are Competent Enough and have knowledgeable and skilled people in preparation of APP as 76.5%

indicated. Annual Procurement Plan templates issued by PPRA are used when preparing Annual Procurement Plan. Thus Annual Procurement Plan prepared by MSD complies with the regulations set/formed by PPRA. User department from MSD agreed that the annual Procurement Plan template introduced by PPRA to the organization is sufficient and relevant to the organization, this indicates that the template is made and fit to the public organization.

4.6 The Challenges Associated with the Effectiveness of Implementation of Annual Procurement Planning at the MSD

The third objective aimed at finding the challenges associated with the effectiveness of implementation of annual procurement planning at the MSD. The respondents were asked questions from this objective

4.6.1 Factors for Inefficient Annual Procurement Plan at MSD

The respondents were asked about the inefficient annual procurement plan at MSD aimed at identifying if there are various possible causes of accelerated the inefficient annual procurement plan resulting to lack of essential drugs. The findings indicate that 24(70.6%) of respondents said there was a poor forecasting of the volume of products to be procured by customers at planning stage, 22(64.7%) of respondents said one of the factors is late initiation of the procurement contrary to the plan, 21(61.8%) of respondents said late communicating of the needs from the customers to the MSD, 20(58.8%) of respondents said rapid change of preferences diagnose regime on patients, 19(55.9%) of respondents said skills and knowledge of the key participants in preparation of APP, 18(52.9%) of respondents said poor timing of specific procurement, 6(17.6%) of respondents said length of procurement period in tendering procedures and the rest 4(11.8%) of respondents said Lack of Funds. As indicated in table 4.9 below

Table 4.9: The Possible Factors for Inefficient APP

Variables	Frequency	Percentage	Total
Poor forecasting of the volume of products to be procured by customers at planning stage	24	70.6	34
Rapid change of preferences diagnose regime on patients	20	58.8	34
Skills and knowledge of the key participants in preparation of APP	19	55.9	34
Length of procurement period in tendering procedures	6	17.6	34
Poor timing of specific procurement	18	52.9	34
Lack of Funds	4	11.8	34
Late communicating of the needs from the customers to the MSD	21	61.8	34
Late initiation of the procurement contrary to the plan	22	64.7	34

Source: Research Data

The finding showed that the respondents mentioned possible causes of inefficient APPs which were poor forecasting of the volume of products to be procured by customers at planning stage; rapid change of preferences (diagnosing regime) on patients; skills and knowledge of the key participants (internal and external customers); poor timing of specific procurement; late communicating of the needs from the customers to the MSD; and late initiation of the procurement contrary to the plan. Length of procurement period in tendering procedures and lack of Funds

The procurement process starts when a need is recognized and ends where has been satisfactorily met. The process includes the internal preparations which after the approval of the budget starts with the identification of the need by the user departments and submit their requirements to the PMU. If employees are not aware with the regulation which is a

way to success then the organization will fail. Raised of emergency procurement should be minimized to the organization

4.7 The Measure which has to be Taken so as to Strengthen the Effectiveness of Procurement Planning among the MSD.

4.7.1 Solutions for Problems Associated with Effective Implementation of APP

The question was asked to both PMU and user department about the Solutions for Problem associated with effective implementation of APP, the finding shows that 30(88.2%) of the respondents out of 34 from PMU and user department said Early release of funds, 5(14.4%) of the respondents from PMU and user department said there should endurance of regulation 2005 and The supplier should deliver goods or service on time, 4(11.8%) of the respondents said Effective contract Management while 2(5/9%) of the respondents said Having professional and competence employees

Table 4.10 Solutions for Problems Associated with Effective Implementation of APP

Variables	Frequency	Percentage	Total
Early release of funds	30	88.2	34
There should endurance of regulation 2005	5	14.7	34
The supplier should deliver goods or service on time	5	14.7	34
Effective contract Management	4	11.8	34
Having professional and competence employees	2	5.9	34

Source: Field Data

Delaying of funds which is used for implementing of annual procurement plan as 30 respondents out of 34 stated that there is delaying of fund. Delaying of funds hinder early preparation of annual procurement plan whereby procurement planning stand at the heart

of the purchasing operation: without it, all of the efforts would be opportunistic, and we almost certainly would overlook important opportunities to contribute to company profitability.

PMU and user department should comply with the regulation which govern the procurement from the government organization. The purchasing department is responsible for administering the Purchasing procedures as approved by the organization; establishing purchasing policies; dealing with potential sources of suppliers; obtaining supplies materials, services, and equipment from different sources in an efficient manner; and generally defining and coordinating and controlling the procurement rules and guidelines governing the organization in totality. The primary function of the procurement department is to purchase the supplies, Material goods and services required by the organization in an efficient manner by ensuring that the value of money is achieved.

The supplier should supply goods on time so as to avoid delaying of enquiry from the user department. The regulation which govern the selection of the contractor should be followed and making sure that the management work together with those selected contractor. Employer should employ the professional and competence employees according to the need of the organization, so as to increase the performance of the organization.

CHAPTER FIVE

5.0 RESEARCH SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives a general summary of the research findings, conclusions recommendations and on what measures should be taken to ensure that MSD would have effective annual procurement plan. The chapter also presents the recommended areas for further studies.

5.2 Summary of Main Findings

The importance of using procurement plan. The findings shows that 29(80.6%) of the respondents from PMU and user department agreed that they are aware on the importance of using procurement plan, involvement of employees in preparation of procurement plan. The findings shows that 21(61.8%) of the respondents from user department said yes that is they are involved in preparation of annual procurement plan on the Presence and use of Annual Procurement Plan templates during preparation of Annual Procurement Plan. The finding shows that 29(85.3%) of the respondents from user and PMU department agreed that Annual Procurement Plan templates is used during preparation of Annual Procurement Plan, on the the effectiveness of Annual Procurement Plan, the finding shows that 16(47.1%) of the respondents from PMU and user department said it is not effective, 13(38.2%) of the respondents from PMU and user departments. Training related to annual procurement plan. The finding shows that 30(65.2%) of the respondents from user departments said that they did not attended any training related to procurement plan on the understanding the need of annual procurement plan. The finding shows that 32(94.1%) of the respondents user and PMU department said they understand the need of having APP. The Knowledge and Skills of the Personnel who are involved in preparation

of Annual procurement plan. The finding shows that 26(76.5%) of the respondents from user and PMU department agreed that the personnel involved in preparing APP are having the necessary knowledge and skills required

The inefficient annual procurement plan at MSD aimed at identifying if there are various possible causes of accelerated the inefficient annual procurement plan resulting to lack of essential drugs. The finding indicate that 24(70.6%) of respondents said there was a poor forecasting of the volume of products to be procured by customers at planning stage, 22(64.7%) of respondents said one of the factor is late initiation of the procurement contrary to the plan, 21(61.8%) of respondents said late communicating of the needs from the customers to the MSD, 20(58.8%) of respondents said rapid change of preferences diagnose regime on patients, 19(55.9%) of respondents said skills and knowledge of the key participants in preparation of APP, 18(52.9%) of respondents said poor timing of specific procurement, 6(17.6%) of respondents said length of procurement period in tendering procedures and the rest 4(11.8%) of respondents said Lack of Funds. The Solutions for Problem associated with effective implementation of APP, the finding shows that 30(88.2%) of the respondents out of 34 from PMU and user department said Early release of funds,

5.3 Conclusion

The researcher concludes that MSD adhere to comply with annual procurement plan they are aware The management of MSD do involve some of their officers especially budget officers and Head of the departments in the preparation of Annual Procurement Plan each year. Ordinary employees are not involved in preparation of APP, Annual Procurement Plan templates issued by PPRA are used when preparing Annual Procurement Plan. Thus Annual Procurement Plan prepared by MSD complies with the regulations set/formed by

PPRA. sufficient and relevant to the organization, this indicates that the template is made and fit to the public organization. The rate of effectiveness of APP is not effective this indicates that although employees are invited during preparation of the APP, the annual procurement plan is not implemented or followed during the daily procurement routine. Employees are not attending seminars related to annual procurement plan.

5.4 Recommendations

The area where the ministry performed below included record keeping, quality assurance and control. Public organizations MSD as case should provide adequate resources for project supervision made available; standard guidelines for annual procurement plan

Staff in PMUs be trained on record management, establishing procurement record management system, implementing the procurement information management system and providing adequate facilities and office to PMUs. Public organization like MSD speed up professionalization of the procurement cadre, enhancing coordination with training institutions to align their curricula to meet the requirements in the market, and to enhance training and compliance procedures. MSD should deliver projects within the performance, time and cost and the parameters approved when the major investment decision is taken.

It has been shown that employees are involved in every stage of preparing annual procurement plan, but the problem is implementation of the annual procurement plan. The researcher recommends that the Government has to make a close auditing to make sure that the government institutions are comply with regulations

5.5 Implications of the Findings

Currently the MSD have overlooked in establishing long term strategies in making sure

that no such stock out situation occurs. The Medical Stores Department (MSD) has to develop a long term plan for procuring goods and services essentially for its strategic and operational needs. The introduction of framework type of contracts to reduce frequency of tendering procedures and to ensure that the drugs are delivered in time without delays is not only one strategy but due to Increasing demand of drugs MSD should integrate with its suppliers and customers to establish an integrated supply chain and it will be possible for both strategic and annual procurement plans. MSD has to develop a clear and well-documented plan for procurement all forecasted needs of its end-users taking into consideration of both internal and external users.

Various procurement risks be identified, analyzed and treated through proper planning, appropriate procurement strategy and policy for suitable conditions in the upcoming tender document for securing or transfer of risk to suppliers.

5.6 Limitations of the Study

The following were the limitations faced in the course of conducting the study. Data were collected through self completed questionnaire and thus the research was dependent on voluntary cooperation of the respondents. Thus, minimal cooperation with respondents was a limitation the researcher faced during the study. Some respondents were reluctant to provide relevant information. Also in some offices the responsible officers delayed to sign the research permit letter leading to delay in data collection. However researcher informed the respondents that the collected data would be used for this study only and it was confidential between respondent and researcher only.

5.7 Area for Future Study

This study has attempted to assess the factors hindering the preparation of annual

procurement plan in Public Organization.. There is need to undertake a study on the impact of procurement plan on the cost minimization in public procuring entities or profit maximization in public entities biased in commercial or service delivery.

The second area for further study should focus on assessment of the criteria guiding procurement management unit of MSD in selection of procurement methods.

Last area for further study should be a survey to assess the coordination established between MSD and government hospitals in prevention and combating non common diseases such as EBOLA in Tanzania.

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APPENDICES

Appendix i

UREMENT PLAN FOR GOODS - INTERNAL									
Name of Procuring Entity:		MEDICAL STORES DEPARTMENT							
FINANCIAL YEAR		2010/11							
Description	Tender No.	Lot Number	Procurement Method	Use of Procurement Method	DOCUMENT				
					Prepared by Proc.	Approval by TB	Invitation Date	Closing Opening	Submission Eval/Eval
PMT-2004/200									

Appendix ii



Pro Forma Invoice

Zone: Dar es Salaam

Sold To: DR510051
Buguruni Health Centre
P.O.Box 20950 Dar es Salaam
D34018
DAR ES SALAAM 255
TANZANIA

Ship To:
Buguruni Health Centre
P.O.Box 20950 Dar es Salaam
D34018
DAR ES SALAAM 255
TANZANIA

Doc. date : 07/18/2013

Valid till: 08/01/2013

Cust ref:

Ship via: Company Truck

Sales Cat: Normal Sales

Payment terms: On Account

Order Comment:

Item code	Description	UOM	Qty	Unit price	Amount (TZS)
✓ 10010044MD	PARACETAMOL TABLETS 500 MG	1000TB	100	7,000	700,000.
X 10070003MD	CHLORHEXIDINE + CETRIMIDE (SAVLON) LIQUID 1.5% + 15%	5L	5	22,000	110,000.
X 10070004MD	CHLOROXYLENOL (DETTOL) LIQUID 5%	5L	5	13,000	65,000.
✓ 10050010MD	ORAL REHYDRATION SALTS (ORS) FOR 1 LITRE POWDER	100SC	30	13,000	390,000.
X 10050011MD	BETAMETHASONE CREAM 0.1% 15GM	12TU	2	7,700	15,400.
X 10060036MD	HYDROCORTISONE POWDER FOR INJECTION. 100 MG	10VL	20	6,500	130,000.
✓ 10010129MD	ZINC SULPHATE 20MG TABLETS	100TB	30	4,100	123,000.
✓ 20010007MD	CATGUT CHROMIC 0, 75CM, 1/2CIRCLE, ROUND BODY TAPER, 30MM	12PC	10	16,000	160,000.
X 20010015MD	CATGUT CHROMIC 2, 75CM, 1/2 CIRCLE, ROUND BODY, 45MM	12PC	10	16,000	160,000.
X 20010018MD	CATGUT CHROMIC 2/0, 75CM, 1/2 CIRCLE, ROUND BODY, 30MM	12PC	10	16,000	160,000.

Medical Stores Department
Off Nyerere Road, Keko Mwanga
P.O.Box 9081
Dar es Salaam
Tanzania

Tel: +255 (22) 2860890/ 7
Fax: +255 (22) 2865414/ 19
E-mail: info@msd.or.tz
Website: www.msd.or.tz

Appendix iii



Off Nyerere Road, Keko Mwanga,
P.O. Box 9081, Dar es Salaam, Tanzania.
Telephone: 0255 22 2860980-7
Fax: 0255 22 2865814/19,
E-mail: info@msd.or.tz

Order No: 57859

Sales Order Acknowledgement

Zone: Head Quarter

Sold To:

Customer Code: HQ100006
Customer Name: Chief Dental Surgeon

Address Line 3: D40058
City: DAR ES SALAAM
Country: TANZANIA

Order Date: 08/15/2013

Delivery: 08/15/2013

Cust Ref:

Ship Via: Customer Own Collect

Ship To:

Customer Code: DR310004
Customer Name: Temeke Hospital
P.O.BOX 45232 Dar es Salaam

Address Line 3: D20001
City: DAR ES SALAAM
Country: TANZANIA

Sales Cat: Special Sales

Payment Terms: On Account

Sales Person: Muhidin Mwenda

Del Term: EX- Works (Named palce)

Item No	Description	UOM	Requested Qty	Order Quantity	UnitPrice	Amount(TZS)
50020036SP	COMPLETE CHAIR, WITH COMPLETE ACCESSORIES (DENTAL)	1SET	1	1	34,940,700.00	34,940,700.00

Order Line Total: 34,940,700.00

Order Discount Total: 0.00

Total Order Miscellaneous Charges:

Amount in Words: thirty-four million nine hundred forty thousand seven hundred and xx / 100

Order Total: 34,940,700.00

Customer Acceptance


Authorized Signature (MSD)

Appendix iv



TANGAZO KWA WATEJA WA MSD

Bohari ya Dawa (MSD) inawakumbusha Waganga wakuu wa mikoa na wilaya, wasimamizi wakuu wa Hospitali, vituo vya Afya, zahanati na kamati za Afya kuleta mpango wa manunuzi na Bajeti ya mahitaji ya dawa, vifaa tiba, vitendanishi vya maabara na mahitaji maalumu kwa mwaka wa fedha 2013/2014.

Mpango huo wa manunuzi na Bajeti ya mahitaji ya kawaida na maalumu ambayo yamekwisha idhinishwa ndani ya bajeti kuu ya Serikali yanatakiwa yawe yamefikishwa Bohari ya Dawa (MSD) kabla ya tarehe 15 JULAI, 2013 kupitia Bohari za kanda au barua pepe info@msd.or.tz

Utaratibu huu ni kwa mujibu wa sheria ya manunuzi namba 45 (a) – (e) ya mwaka 2004 na kanuni zake za Mwaka 2005.

Tangazo hili limetolewa na Menejimenti ya Bohari ya Dawa (MSD)

Medical Stores Department.
Off Nyerere Road, Keko Mwanga
P.o.Box 9081
Dar es Salaam
Tel: 255 22 2860890/7
Fax: 255 22 2865814, 2865819

Appendix v

QUESTIONNAIRE GUIDE

Dear Respondent

This research questionnaire guide is designed to enable the researcher to obtain data for evaluating the Factors Hindering the Medical Stores Department in Preparation of Annual Procurement Plan. Please tick an appropriate answer or fill in the blanks according to the question requirement

Questionnaire no. _____

Please tick or state where applicable

Age..... Sex..... Male.....Female.....

Grade/Position:

Years spent at entity:

Highest level of Education:

Area of specialty:

Date:

1. What do you understand about the term annual procurement plan

.....

2. Are you aware on the importance of using procurement plan

a) Yes ()

b) No ()

3. Do you prepare Annual Procurement Plan

(a) Yes ()

(b) No ()

- (c) If no please specify.....
4. Do you have Annual Procurement Plan templates issued by PPRA in place?
- (a) Yes ()
- (b) No ()
5. If yes in (2) above does it help you in preparing Annual Procurement Plan?
-
6. If No in (2) above what do you use as guide in preparing Annual Procurement Plan(APP)
- (a) Rough estimates ()
- (b) Work load ()
- (c) Based on previous rate ()
- (d) Other, specify.....
7. In your opinion do you think Annual Procurement Plan templates (contents) introduced by PPRA is sufficient and relevant to your organization?
- (a) Yes ()
- (b) No ()
8. How do you rate the effectiveness of Annual Procurement Plan (please tick (v) for appropriate response)
- (a) Very effective ()
- (b) Effective ()
- (c) Not effective ()
9. Who are involved in preparing Annual Procurement Plan at MSD? Please specify
-
-

.....

 10. Do you participate in preparation of Annual Procurement Plan? (Please tick (v) the appropriate response)

(a) Yes ()

(b) No ()

11. Do you get Fund for procurement on time?

(a) Yes ()

(b) No ()

12. If no, what is the impact in implementation of APP? (Please mention at least three)

i)

ii)

iii)

13. How procurement fund allocations have impact on the Annual Procurement Plan?
 (please mention at least three)

i)

ii)

iii)

14 The level of understanding and capacity among officers.

	Variables	Bad		Good	
		Responses	Percentages	Responses	Percentages
1	The qualification level of staff preparing APP in organization				
2	Does the procurements stakeholders know the importance of APP				

15 . The government provides templates for public procuring entities to adopt in preparation of annual procurement plan

- 1) Yes
- 2) No []
- 3) I don't know

16 . According to your experience with the MSD which is the public entity, does it prepare procurement plan?

- 1) Yes
- 2) No []
- 3) I don't know
- 4) Not applicable

17 . If you are beneficiary of the services provided by MSD, do you think that all drugs requirements for your organization are incorporated in the MSD procurement plan?

- 1) Yes []
- 2) No
- 3) Don't know
- 4) Not Applicable

18 .If yes from the last question; being the Supplier of MSD, Procurement Official or beneficiary of MSD services, does this plan assist you to plan and meet your objectives in serving the nation?

- 1) Yes []
- 2) No
- 3) Not applicable

19 When are the requirements aggregated enough to be incorporated in the procurement plan?.....

.....

.....

.....

20 . Do you admit that the customers are provided with enough time for them to submit their forecasted needs to MSD?

- 1) Yes
- 2) No
- 3) Don't know []

21 . Have MSD set any monitoring systems on specific procurement activities against its procurement plan?

- 1) Yes
- 2) No []
- 3) Don't know

22 . For your experience, which factors can lead to out of stock in any procuring entity?

.....

.....

.....

.....

23 . In your opinion, what should be done to improve customer service level at the MSD

.....

.....

.....

.....

Appendix vi

INTERVIEW QUESTION

1. Are you aware on the importance of using procurement plan
2. Do you prepare Annual Procurement Plan
3. Do you have Annual Procurement Plan templates issued by PPRA in place
4. In your opinion do you think Annual Procurement Plan templates (contents) introduced by PPRA is sufficient and relevant to your organization
5. How do you rate the effectiveness of Annual Procurement Plan (please tick (v) for appropriate response
6. Who are involved in preparing Annual Procurement Plan at MSD? Please specify
7. Do you get Fund for procurement on time
8. Does the government provides templates for public procuring entities to adopt in preparation of annual procurement plan
9. According to your experience with the MSD which is the public entity, does it prepare procurement plan
10. Have MSD set any monitoring systems on specific procurement activities against its procurement plan
11. For your experience, which factors can lead to out of stock in any procuring entity?
12. In your opinion, what should be done to improve customer service level at the MSD