

REPORT FOR THE COMMITTEE ON HEALTH ON CONTRACT AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF GHANA (MINISTRY OF HEALTH/ GHANA HEALTH SERVICE) AND VAMED HEALTH PROJECTS CZ s.r.o OF THE CZECH REPUBLIC (VAMED ENGINEERING) FOR THE DESIGN, EXECUTION AND COMPLETION OF WORKS AND THE REMEDYING OF THE DEFECTS IN RESPECT OF THE CONSTRUCTION AND EQUIPPING OF TEN POLYCLINICS IN THE CENTRAL REGION

## **1.0 INTRODUCTION**

The Contract Agreement between the Government of the Republic of Ghana (Ministry of Health/ Ghana Health Service) and VAMED Health Projects CZ s.r.o of the Czech Republic (VAMED Engineering) FOR THE Design, Execution and Completion of Works and the Remedying of the Defects in respect of the Construction and Equipping of ten Polyclinics In The Central Region was laid in the House on Thursday, 17th December, 2015 and referred to the Committee on Health for consideration and report.

The Committee met the Minister for Health, Hon. Alex Segbefia, and the technical team from the Ministry of Health to discuss the Contract Agreement.

## **2.0 BACKGROUND OF THE PROJECT**

The health of Ghanaians have been improving steadily since independence, records indicate that the health indicators, including maternal health, child health, nutrition, coverage of clinical services, public health and reproductive health services have all been improving in the last decade. Non communicable diseases, including road traffic accidents, steadily are emerging as major causes of morbidity and mortality in the country.

In line with the Health Sector set objectives of the Ghana Shared Growth and Development Agenda (GSGDA), which seek to bridge equity gaps in access to health care, among others, the Sector has made some progress in meeting client expectations and promoting effective clinical service delivery.

In spite of this progress, physical access to health care still remains a challenge in some areas, particularly, rural communities in Ghana including the Central Region. In furtherance with Government's efforts to provide access, Parliament approved the Loan Facility Agreement between the Government of Ghana and Raiffeisen Bank

International AG, Vienna Austria for the Construction and equipping of 10 Polyclinics in the Central Region on 1<sup>st</sup> December, 2015.

The Contract Agreement for the Project was considered and the Committee reports as follows:

### **3.0 PURPOSE OF THE PROJECT**

The purpose of the project is to construct and equip ten (10) polyclinics in the Central Region.

### **4.0 OBSERVATIONS**

#### **4.1 Benefits of the project**

The Committee was informed that the Central Region is one of the most deprived Regions in terms of healthcare infrastructure. Physical access to healthcare has been a challenge in the Region. Further, there are huge service provision gaps due to the absence of health facilities in the Region. This situation poses a great danger as the people have to travel long distances to access health care especially, in an era where in line with the operation of health insurance scheme, people should have easy access to health facilities.

The Committee was informed that benefits expected under the project included the provision of quality health care to the people of the beneficiary communities and its environs. Also, the project has the potential of creating about 500 direct jobs (both skilled and unskilled).

#### **4.2 Delay of VfM Report**

The technical team informed the Committee that the Value for Money (VfM) audit of the project as well as the necessary documentation which had been submitted to Crown Agents for valuation was yet to be received.

The technical team explained to the Committee that the Ministry had already acquired the land sites for the construction. Other logistics have also been moved to the sites for construction. This has heightened the expectation of the beneficiary communities who demand that early commencement of the project. It is as a result of this and the need for healthcare that the Ministry intends to commence construction of the project.

#### **4.3 Trend Analysis**

The Minister explained to the Committee that even though the VfM Report was not ready, given the importance of the project to the Central Region, the Ministry conducted a trend analysis on the project with other similar polyclinic projects that the Ministry had undertaken and is of the view that the current costing of the project reflected economical prices and that the country would be getting value for money.

The trend analysis shows the various project prices and their sizes within the last eight (8) years and is depicted in the table 1 below.

**Table 1 – Trend Analysis of project costs by the Ministry of Health**

Project Name	Year of Award	Contract value in Euro	Gross Area	EUR/m2
5 Polyclinics – Phase I	2008	7.560.000	4.290m <sup>2</sup>	1.762,24
5 Polyclinics – Phase II	2010	7.980.000	4.670m <sup>2</sup>	1.708,78
5 Polyclinics – Phase III	2012	8.650.000	4.670m <sup>2</sup>	1.852,25
10 Polyclinics Central Region	2016	23.500.00	10.330m <sup>2</sup>	2.274,93

The Minister explained that the three phases outlined in the table showed variations in the cost to construct 5 polyclinics in 2008, 2009 and 2012. These projects involved the construction of standard polyclinics at the time. No additional works were required. Each of the projects also had a value for money assessment Report on them at that material time.

The Minister informed the Committee that the current construction is different from the ones constructed earlier as it included additional works. Despite the difference, the change in cost is relatively lower than the earlier projects.

He explained that the polyclinics to be constructed made provision for **enhanced facilities** that bring it close to the status of a **district hospital**. He intimated that the construction would also include additional and extended site management (civil, M&E and other medical equipment) and other additional works as a result of the ten different locations which would be all supervised and coordinated at the same time.

The Minister stated that to facilitate the execution of the 10 polyclinics project, there has been an increase in the logistics requirements. Further, maintenance requirements for the equipment as well as spare parts, tools, and logistics among others that would ensure preventive and corrective maintenance activities at all the ten sites as also increased. **The earlier polyclinics did not require any of these works.**

The technical team informed the Committee that, three sites (namely Besease, Dawurapon and Biriwa) would require the construction of 300 meters of roads to connect the land plot to the main road including two bridges. Further, ten mechanical boreholes would be drilled. Two kilometre electric lines each would be constructed to connect four sites to the electric grid. As a result of the location of the sites at Besease, Dawurapon and Biriwa, additional stone drains, retaining walls, rain water and flooding protection, etc. would be constructed.

The Committee was informed that as a result of the enhanced nature of the project, there will be an increase in the quantum of medical equipment to be procured for the 10 polyclinics compared with the equipment procured for the previous polyclinics. Items to be procured include imaging, Operating Theatres, Maternal

Health Ultrasound. Other M&E works to be procured include medical gas, clean air ventilation unit, generators and pumping systems.

Under this project, extended lighting systems would be constructed to improve night security as well as roads to the staff houses and adjunct parking areas and walkways.

The Minister argued that these works and services were not part of the earlier polyclinics. He explained that looking at the cost of construction of the earlier projects in comparison to the cost of the ten polyclinics (adjusting for inflation), the price of EUR/ M<sup>2</sup> of 2.274,93 is economical.

Hon. Alex Segbefia stated that in previous Value for Money audits, price increases for services of ten percent have been accepted as well as price increases for equipment and materials as a result of inflation.

Hon. Segbefia assured the Committee that when the VfM Report is ready, he would forward it to the Committee without delay.

#### **4.4 Scope of Project**

The Committee was informed that as part of the project, VAMED Health Projects would construct three enhanced Polyclinics and seven polyclinics with stated additional works.

### **5.0 RECOMMENDATIONS**

#### **5.1 Value for Money (VfM) Audit**

The Committee noted the role the Ministry had played in submitting the documentation for VfM audit, that notwithstanding, the Report is yet to be received. The Committee also took cognisance of the importance of the project and the state of health facilities in the Central Region.

The Committee also noted the heightened expectation of the beneficiary communities as they demand an early commencement of the project.

The Committee further noted that the project is a turnkey project and therefore VfM assessment is a notable requirement in the award of contract especially when the procurement procedure was sole sourcing (Appendix 1).

Cognisant of the importance of VfM audit and the delay in receiving a response to that effect, balanced with the provision of healthcare to deprived communities in the Central Region, the Committee recommends to the House to approve the Contract Agreement to pave way for the construction of the polyclinics.

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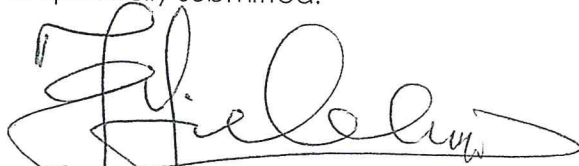
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The Committee recommends that the Ministry must abide by the recommendations of the VfM assessment, if any. Further, any savings made out of the VfM should be applied to the project.

## 6.0 CONCLUSION

The Committee having carefully examined the referral, noting also the historical VfMs of similar projects and the fact that the facilities as per the project are an enhanced type, also having regard for the benefits to be derived from the implementation of the project, recommends to the House, to adopt its report and approve the Contract Agreement between the Government of the Republic of Ghana (Ministry of Health/ Ghana Health Service) and VAMED Health Projects CZ s.r.o of the Czech Republic (VAMED Engineering) FOR THE Design, Execution and Completion of Works and the Remedying of the Defects in respect of the Construction and Equipping Of Ten Polyclinics in the Central Region.

Respectfully submitted.



**HON. JOSEPH YIELEH CHIREH**

**CHAIRMAN**



**MR. ASANTE AMOAKO ATTA**

**CLERK TO THE COMMITTEE**

18<sup>th</sup> March 2016

# PUBLIC PROCUREMENT AUTHORITY

PRIVATE MAIL BAG 30  
MINISTRIES – ACCRA

In case of reply the  
Number and date of this  
Letter should be quoted.



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29<sup>th</sup>  
.....January, 2016

## **RE: REQUEST FOR APPROVAL TO ENGAGE IN SINGLE SOURCE PROCUREMENT FOR THE TURNKEY CONSTRUCTION OF 10 POLYCLINICS IN THE CENTRAL REGION**

We make reference to your letter no. MOH/CIMU/VAMED-CR/01-16 of 18<sup>th</sup> January, 2016 on the above subject.

At its 130<sup>th</sup> SSRT Meeting held on Wednesday, 27<sup>th</sup> January 2016, the Board decided that approval should be granted **Ministry of Health** in accordance with Section 40 (1) (a) of Act 663, to single source **Vamed Engineering GmbH & Co. KG** for Turnkey Construction of (10) Polyclinics in the Central Region at a total estimated cost of **€23,500,000.00**.

Kindly ensure that all documentation regarding the procurement is appropriately kept to facilitate future procurement and tax audits and also post the contract award notice on the Public Procurement Website: [www.ppaghana.org](http://www.ppaghana.org).

  
ERIC VICTOR APPIAH  
(DIRECTOR, BM & E)  
For: CHIEF EXECUTIVE

THE HON. MINISTER  
MINISTRY OF HEALTH  
ACCRA

**ATTN: DR. AFISAH ZAKARIAH**  
**(AG. CHIEF DIRECTOR)**