

# **A Study of Public Procurement in the Health Sector and Availability of Procurement Data**



**Report** : A Study of Public Procurement in the Health Sector and Availability of Procurement Data

**Research Team** : School of Planning, Monitoring, Evaluation and Research (SPMER)

**Published** : Kathmandu, March 2020

**Publisher** : Transparency International (TI) Nepal  
Chhakkubakku Marga, New Baneshwor  
Kathmandu, Nepal  
Phone: 977-1-4475062, 4475112  
Email: [trans@tinepal.org](mailto:trans@tinepal.org)  
Website: [www.tinepal.org](http://www.tinepal.org)  
FB/Twitter: tinepal  
Hotline: 1660 01 22211

**Support** :   **TRANSPARENCY  
INTERNATIONAL UK**  
fighting corruption worldwide

**Copyright** : Transparency International-Nepal. All Rights Reserved © 2020

**ISBN** : 978-9937-9402-0-7

# Foreword

Public procurement in the health sector is a much talked about issue in Nepal. The responsibility for procurement, distribution and delivering quality public health services primarily falls on the government. However, due to various reasons, people are not receiving health services properly, on time and as committed by the government. In this context, Transparency International (TI) Nepal commissioned this study entitled “Public Procurement in the Health Sector and Availability of Procurement Data” in the Federal Government and Bagmati province to capture the status of public procurement in the health sector, especially concentrating on the supply of medicines and medical equipment. Besides, the study covers the Electronic Government Procurement (EGP) process and Open Contracting Data Standard (OCDS) which are crucial for effective public procurement and dissemination of information to stakeholders.

TI Nepal is undertaking Open Contracting for Health Initiative (OC4H) in Nepal, a project that emphasizes publishing, using and monitoring the public procurement processes and information openly by all concerned parties, categorically the government entities, private suppliers and civil society organizations. The aim is to ensure the best usage of public funds while delivering necessary health services to the citizens. Subsequently, the government may enhance efficiency, better monitor the delivery of health services and acquire value for money.

On behalf of TI Nepal, I would like to thank the School of Planning, Monitoring, Evaluation and Research (SPMER) for their efforts in collecting, analyzing and collating the findings of the survey for the report. The success of this study has been possible with the cooperation and support of government institutions: Public Procurement and Monitoring Office (PPMO), Ministry of Health, Logistic Management Section, Department of Drugs Administration (DDA). I would also like to thank Bagmati Provincial Ministry of Social Development, Hetauda Sub-metropolitan City, Hetauda Hospital, Bharatpur Hospital, Manahari Rural Municipality and Dhulikhel Municipality for their cooperation, time and information.

Our sincere thanks goes to representatives of professional associations and civil society in Kathmandu, Kaski, Rupendehi and Chitwan as well as TI Nepal members for their inputs in the report and TI Nepal secretariat staff for their efforts in realizing this outcome. We express our gratitude to UKaid and Transparency International UK for their technical and financial contribution to the OC4H project and for this publication.

**Khem Raj Regmi**

President

Transparency International (TI) Nepal



# Executive Summary

## Introduction

The importance of the prominent status of health care systems to develop the quality of human life in modern social development has been broadly recognized. The efficient management of logistics is crucial for the effective and efficient delivery of health services. Quality health care service is a fundamental right of citizens. The quality health care is an integrated outcome of procuring, supplying, delivering health-related resources. “No commodities no health services” is a well-known quote of the health system to indicate quality, effective and universal health services to the people. Without necessary commodities, expected health services could not be delivered at all.

Procurement is the acquisition of goods or services at the best possible total cost of ownership, in the right quantity and quality, at the right time, in the right place for the direct benefit or use of the governments, institutions, or individuals generally through contract. The procurement of health commodities is a complex operation requiring many steps and stakeholders both within and outside of the government. (*LMD report, 2074, PPA 2007*)

After restructuring of the health system, LMD is restructured as a section under the Management Division (MD) of DoHS to perform the same activities as before. Currently, the specification bank of MD contains 472 standard specifications of 70 essential drugs and 1,060 standard specifications for goods in the Nepal health system (LMS/MD). Similarly, a separate body is established in all provinces as Logistic Management Center under the Ministry of Social Development for coordinating, procuring, distributing including logistic related recording and reporting systems inside the provincial authority.

A significant part of the National Health Budget (NHB) in Nepal has been spent on the purchase of essential drugs. In Nepal, domestic products meets less than half of the total drug demand. The rest of the drugs are imported from other countries (more from India or Bangladesh). There is no single domestic pharmaceutical company that can supply all the essential drugs demanded by the public sector. (*Adhikari. P, Public Procurement Issues and Challenges in Nepal*)

## Objectives

The overall objectives of the study to mapping the existing procurement related laws, Gaps, issues and challenges of EGP and OCDS in health system. Along with this, an assessment of health system procurement of selected medicines, vaccines, including cost calculation and price variations.

## Methodology

A cross sectional design was applied to the study with mixed approaches of quantitative and qualitative information. Purposively selected Health facility, municipality, and procurement related authorities of federal, provincial and local level government as study unit. These organisations selected three districts of Bagmati Province. Unstructured data collection tools was used for both observation purpose and in depth

and key informant interview. The low average of health institution does not fully generalize the nation as a whole.

## **Review**

### **Logistic System in Health**

The government has a policy of providing essential drugs, commodities, and equipment uninterruptedly. Product selection, procurement, distribution, storing are key management activities addressed in national logistic management guideline.

Round the year availability of quality medicines in public health facilities is very important for the effective delivery of health services. To make it happen, the procurement of medicines and its supply management system should be considered as one of the most important components. Many reports, news and public opinions argue that the medicine supply mechanism is not appropriate in Nepal. Moreover, it has been discussed that there should be a proper mechanism of procurement and distribution of quality medicines at different levels. The Ministry of Health and Population introduces a different mechanism for quality and timely procurement of medicines as per government objectives in federal context.

### **Drug Procurement from Health Budget by Federal, Provincial, and Local levels**

Almost 30 percent of the budget under drug procurement is spent on purchasing vaccines, diluents, and syringes followed by free health care (27%) and HIV/AIDS and sexually transmitted disease (STD) drugs (9%). The responsibility for the purchase of rabies, ant-malarias, kala-azar, lymphatic filariasis, anti-snake venom, and homeopathic drugs is allocated entirely to the federal level. Similarly, all obstetric, general, and specialised drugs are purchased at the provincial level. At the same time, the purchase of more than 80 percent of homeopathic drugs, nutritional drugs and supplements are allocated to the provincial level. Likewise, the purchase of 85 percent of Ayurvedic drugs and 56 percent of free health drugs are allocated at local level. *(MOHP, Red Book, FY 2014/15-18/19)*

At the local level, the main cost driver is the free health drugs purchase which accounts for 90 percent of the total budget. Similarly, at the provincial level the major cost drivers are the purchase of nutritional drugs and supplements (42%), followed by 22 percent for the purchase of free health drugs. At the federal level, 43 percent of the health budget is spent on the purchase of vaccines, diluents, and syringes followed by free health drugs (13%). *(MOHP, Red Book, FY 2014/15-18/19)*

Equipments are procured from the health budget at three levels. About 93 percent of the budget for equipment purchase remains at the federal level. At the national level, the majority of the equipment budget is spent on purchasing cancer equipment (36%), followed by the purchase of medical equipment (33%) and purchase of office equipment (6%). *(MOHP, Red Book, FY 2014/15-18/19)*

### **Procurement Practiced**

The procurement process has been standardized and fully integrated into the LMS/MD/DoHS procedures. MD follows the standard procedures established for tenders. The logistic Supply Management section is working to provide potential bidders access to the tender process and to ensure that the tender submission quality is met to the highest standards.

Procurement activities start with the development of a consolidated annual procurement plan (CAPP) in coordination with program divisions and centers. When the budgets have been approved for each of the divisions and centers, and the CAPP has been approved. The procurement process of each procurement activity can start based on the information stated in the CAPP at federal level. But, still province and local level government could not develop such plan at their working level. They have started as per budget plan and other regular decision process. *(LMD/DOHS/MOHP, 2074)*

MD continues to add more commodities in the multi-year procurement process. Condoms, Injectables, ORS, Iron tablets, Essential drugs are now procured through a multi-year mechanism. The multi-year mechanism saves every year bidding and evaluation time for the tender. MD has developed the technical specification bank (Technical equipment and medicines) for facilitating health institutions to procure universally acceptable quality drug and equipment as per national standard.

Beside this, MD provides Public Procurement Training to impart knowledge and skill to the federal, provincial and local governments to make the procurement process timely, simple, easy, uniform and more transparent over time. The following monitoring indicators are closely observed by the superior authority:

- Setting up of procurement committee (evaluation committee)
- Annual Procurement Plan
- Forecasting and quantification
- Cost estimation of the health commodities
- Timely procurement and distribution
- Availability of procured drugs at service delivery point

## Findings

The Ministry of Health and Population procures health-related medicines and equipment by using the Public Procurement Act 2063 (3rd Edition) and Public Procurement Regulation (8th Edition). Procurement rights are decentralized to each public Institute (PI) at all levels of government; although the majority of procurement expenditure takes place within MOHP and its subordinates. GoN has been implementing electronic Government Procurement (EGP) for more effective and efficient procurement of essential commodities on time. PPMO has been established as an apex body to regulate and monitor public procurement systems in Nepal.

## Public Procurement in Nepal

Public Procurement (PP) includes all activities of acquiring goods, services and works ranging from large-scale infrastructure projects to small scale including consulting services. Public procurement plays an important role in the country as it contributes to promoting socioeconomic development, competitiveness, efficiency, transparency and good governance.

Following are the Main Acts, Regulations, Policies and Directives that is used in procurement process in health system. *(LMD report, 2074, PPA 2007)*

### Leading Acts

- Public Procurement Act 2063
- Public Procurement Regulation 2064
- Directives for EGP based procurement 2073

## Health Sector Related Plans

- Procurement Improvement Plan (2017/18-2021/22)
- Nepal Health Sector Support Plan (NHSSP) (2016-2021)
- Financial Management Improvement Plan (FMIP) (2016/17-2021/22),

## Guidelines

- EGP standard operating guideline for health relating procurement, 2075
- Supportive guideline for procurement and supply management of medicines

All government institutions should follow the PPA and PPR for the procurement of construction services, goods and work services. Principally, government primarily enforces procurement through the Electronic Government Procurement (EGP) for accessing to all possible bidders. This makes for a more transparent and accountable procurement process at all levels of government. Widely, three methods of procurement is currently applied by government institutions.

1. Direct Purchase
2. Sealed quotation
3. Open Bidding
  - National
  - International

## ■ Issues Responded by Amended PPA and PPR

The PPA has been amended after an iteration of discussions with a range of stakeholders. Overall, the added or amended provisions are in the right direction. For instance, the onus of timely and quality procurement is placed on the chief of the procuring entity (department, division or section of a project or program), including the completion of the task within the stipulated time. Additionally, in order to make procurement official more accountable, a provision of non-compliance is added.

Specifically, the amended PPA has included a provision that “Ensuring completion within the set time by conducting regular supervision, monitoring, and quality control measures”. The other positive aspects of the amended PPA are that e-bidding is now explicitly mentioned and six additional direct procurement methods are added, facilitating the procurement by public enterprises.

Another important amendment is the provisions to facilitate fast decision-making on matters related to cost variation. For instance, department heads can approve a variation of up to 15%, between 15% and 25% by the concerned Secretary, and on and above 25% by the Cabinet

## ■ Remaining Gaps in PPA

The amended PPA also provided a clearer provision for dealing with low bids, by specifying the level of additional performance guarantees. PPA did not respond to the concern of health related procurement separately. Still the provisions enlisted in PPA and PPR regarding medicines and health equipments is treated as goods rather than the needed sensitivity of medicines. The issue of low price bidding needs to be dealt with by strengthening the technical evaluation, thereby effectively rejecting the insufficiently inexperienced, and unskilled bidders, which is one of the causes of the low price bidding.



Legally enforce EGP based procurement by the amended PPA, however it does not spell out about the publication of data standard with gives access to related stakeholders and civil society.

The PPA holistically covers the procurement of health related entities at all levels of government/ semi government organizations including local bodies with government. Procuring of medicines like other works/goods found in PPA and PPR, which to some extent create fundamental disputes among suppliers and government agencies. This brings a challenge in monitoring compliance of drug quality; as well as questions of the suitability of the legal framework for smaller, lower spending PI, in case of emergency, specific equipment etc. The MoHP has repetitively requested to revise, respond to problems or develop a separate Act/Provision for health related medicine and equipment procurement. PPMO has already noted the need for a separate provision/legal measure to ensure their suitability for most health sensitive related commodities procurement.

### **Process Procurement of Essential Medicines, Family Planning Devices and Vaccines**

The health system has just been restructured. There are many tasks (staff deputation, handover of documents, development of rules and regulations at each level of government) still not completed. So that most of the drugs and equipment are supplied from Federal level till date. Whereas, only a very small amount and limited item are procured at the local level. They have not started procurement process at provincial level.

The breakdown of budget and direct purchase is practiced widely in Municipal office (Sub Metropolitan, Municipality and Rural Municipality). Procurement of Vaccine is done only at the central level by the Management Division. Almost all organizations, enrolled in the study, were found in compliance with PPA and PPR for procuring whereas some hospitals developed their own guidelines. Hospitals used their own guidelines for procurement of some emergency drugs. The guidelines was developed aligned with PPA and PPR.

### **Process of Distribution of Essential Medicines, Family Planning Devices and Vaccines**

#### **■ System of Distribution Practices**

Previously, the distribution of commodities was done from all central and regional stores. Initially under pre-set quota system, the regional medical store was responsible for preparing kits for individual HF and its transportation to the respective district stores. The districts would then be responsible for onward distribution of such packages to the respective facilities.

Under the new system, as per requisition, management division is distributing drugs and medicines. Province level store (Logistic Management Center) is primarily responsible to deliver medicines to the Provincial Health Office to Palika level as per demand. Federal institution is directly delivering the emergency, critical and most sensitive medicines, vaccines, Antidote to health institution or facility.

#### **■ Cost of Distribution**

There is high variation in the cost of distribution (Transportation). In most of the cases, the supplier delivers the medicines as provision included in contract award. If not included, then the following approach was applied.

- Delivery by own government vehicle (Store, District or Province).

- In some cases, staffs of health facility, receive the medicine and claim TA/DA.
- In some cases, vehicles was hired. The charges for vehicles was not fixed and high variation was found. The weather, distribution route, drug or equipment volume, road condition and time period are the factors of variation in the cost of distribution.

### **Cost Variation of Medicine, Vaccine and Family Planning Devices**

- The cost variation shows critical status of medicine procurement process when compared with the unit price of drug at federal, provincial and local level.
- Procurement cost was found to be very high at palika level compared with medicine procured at Federal Level.
- Cost increased by a minimum 10 percent to 300 percent in unit cost as compared with the cost of drug procured at central level in the last fiscal year. There are chances of likelihood increase of unit cost of the procured drug and equipment in each government level due to high administrative function, bid process, transportation etc. Beside this, the volume of purchasing, frequency of purchasing, purchasing point of stock, (purchase at emergency order point (EOP) and at time of disease epidemic/emergency period are another unit price fluctuating factor at three tiers of government.
- However, direct purchase is the main cause of variation of the price at palika level.
- Almost all palika procure the medicine through the process of direct purchase by taking quotation.

### **Electronic Government Procurement (EGP) System and Open Contracting Data Standard (OCDS) in Health Sector Commodities Procurement and Response of Stakeholders**

Open contracting can transform public procurement through better data, analysis and engagement with businesses and civil society. It involves disclosure of open data and documents about the planning, procurement, and management of public contracts.

Public Procurement Monitoring Office (PPMO) operates the national e-Government Procurement (EGP) system in the country. This is a web based one stop procurement portal covering various activities of public procurement life cycle including registration of bidders, procurement planning, e-tendering, on-line evaluation, contract management, etc. The PPMO and other legislators, should make efforts to strengthen the oversight powers of citizens, and provide a legal basis for participating in and monitoring public contracting. Whereas, Ministry of Health and Population and its subordinate institutions has not started OCDS process till date.

The government recognized that establishing an EGP System could help improve transparency, efficiency, and value for money in government procurement. Stakeholders (government agencies and suppliers) also showed their support to the EGP concept. Now the EGP is mandatory provision after that 3rd amendment of PPA. Every public entity should mandatorily use the national EGP system for its procurement above NPR 6 million.

Public Procurement Act 2063, which is the key legislation regulating public procurement in Nepal, but it does not include the right to procurement information and only has limited disclosure provisions, including publishing tender notices and some introductory information about bidding only. It also does not mention how information should be published. None of the regulations guarantee any other type of citizen

engagement in public contracting. Both the suppliers, government offices, citizens and the community have no idea about OCDS, however, all government institutions and suppliers are aware and practice EGP per Act provision.

### **Challenges in the Implementation of EGP System**

#### Policy level

- There are problems with Sustainability, Reliability and Security
- There is poor technical support at the Palika level.

#### Technical level

- Sometimes, after data entry, the system becomes slow and it takes time to post entry. Data are lost, delay in response, data base hang, the poor state of the system is a major technical gap
- Previous year's procurement plan (PP) cannot be easily seen in the EGP system.

#### Infrastructure level

- Internet Problems: Except in the main cities WIFI and 3G are not working or it is very slow.

#### Operation level

- There is poor participation of suppliers in EGP till date. So that the Government calls for bidding in both way (EGP and Manual)
- Untrained HR in medicine and health equipment procurement through EGP or high transfer of staffs also create serious challenge for continuity of EGP

### **Challenges in the operation of OCDS**

- Lack of technical knowledge/poor technical ability of the staff
- Government staffs didn't know or didn't have enough knowledge about OCDS
- There is no mandatory legal provision to go OCDS in medicine and health equipment procurement
- Lack of information and knowledge regarding use of OCDS including civil rights and liabilities among the alert groups, public/civil society and concerned stakeholders.
- There is no EGP and OCDS information / data in a readable language, clearly visible and understandable
- The right to see data, the processing of Data, in readable language, and the data be clearly displayed on OCDS

# Acronyms

AIDS	: Acquired Immune Deficiency Syndrome	MOHP	: Ministry of Health and Population
AP	: Accounts Payable	NGO	: Non-governmental Organization
BHCS	: Basic Health Care Services	NHSS	: Nepal Health Sector Support
CAPP	: Consolidated Annual Procurement Plan	NHTC	: National Health Training Center
CIAA	: Commission on Investigation of Abuse of Authority	NPPSF	: Nepal Public Procurement Strategy Framework
DDA	: Department of Drug Administration	OAG	: Officer of Auditor General
DoHS	: Department of Health Services	OCDS	: Open Contracting Data Standard
DA	: Daily Allowance	PE	: Procurement Executive
EGP	: Electronic Government Procurement	PHCC	: Primary Health Care Center
EPI	: Expanded Programme of Immunization	PHCORC	: Primary Health Care Outreach Clinic
FCHV	: Female Community Health Volunteer	PHCRD	: Primary Health Care Revitalization Division
G2G	: Government to Government	PI	: Public Institute
GMP	: Good Manufacturing Practices	PP	: Public Procurement
GoN	: Government of Nepal	PPA	: Public Procurement Act
HR	: Human Resource	PPR	: Public Procurement Rule
HW	: Health Worker	PPIN	: Public Procurement Information Network
IDI	: In-Depth Interview	PPMO	: Public Procurement Monitoring Office
IF	: Institutional Framework	SBD	: Standard Bidding Document
KII	: Key Informant Interview	SOP	: Standard Operating Procedure
LG	: Local Government	STDs	: Sexually Transmitted Diseases
LMC	: Logistic Management Center	TA	: Travel Allowance
LMD	: Logistic Management Division	UHC	: Urban Health Clinic
LMIS	: Logistic Management Information System	WHO	: World Health Organization
MD	: Management Division		

# Table of Contents

Foreword .....	III
Executive Summary .....	V
Acronyms .....	XII
<b>CHAPTER 1</b>	
<b>1. Introduction</b> .....	1
1.1. Background .....	1
1.2. Objectives .....	3
1.3. Methodologies .....	3
<b>CHAPTER 2</b>	
<b>2. Public Procurement in Nepal</b> .....	7
2.1. Main Acts, Regulations, Policies and Directives .....	7
2.2. Tools .....	8
2.3. Procurement Approaches .....	9
<b>CHAPTER 3</b>	
<b>3. Health Sector in Nepal and its Services Mandate</b> .....	11
3.1. Restructured Health Sector .....	11
3.2. Health Service Delivery Institutions in Nepal .....	12
3.3. Health Response Status .....	12
3.4. Logistic System in Health .....	13
3.5. Health Service Mandate .....	14
<b>CHAPTER 4</b>	
<b>4. Procurement in Health Sector</b> .....	15
4.1. Policies, Plans, Guidelines, Directives of Procurement .....	15
4.2. Acts, Plans and Guidelines of Procurement of Health Commodities .....	18
4.3. Procurement Practiced .....	18
4.4. System of Procurement .....	19
<b>CHAPTER 5</b>	
<b>5. Research Findings</b> .....	21
5.1. Analysis of Procurement Procedure .....	21
5.2. Mapping of existing Acts, Regulations, Guidelines and others laws etc .....	27
5.3. Review Process of Procurement of Essential Medicines, Family Planning Devices and Vaccines .....	28
5.4. Review Process Distribution of Essential Medicines, Family Planning Devices and Vaccines .....	29
5.5. Cost Variations of Medicines, Vaccines and Family Planning Devices .....	30
5.6. Response of Stakeholders to Various Aspects of Medicines Procurement Process .....	34
5.7. Electronic Government Procurement (EGP) in Health Sector, Commodities Procurement and the Response of Stakeholders .....	39
5.8. Open Contracting Data Standard (OCDS) in Health Sector Commodities Procurement and Responses of Stakeholders .....	41
<b>CHAPTER 6</b>	
<b>6. Research Conclusions</b> .....	45
6.1. Conclusions .....	45
6.2. Challenges and Issues in Drug Procurement .....	49
6.3. Positive Directions in the Public Procurement in Health Sector .....	50
<b>CHAPTER 7</b>	
<b>7. Way Forward</b> .....	53
7.1. Way Forward .....	53
<b>References</b> .....	57



# CHAPTER 1

## 1. Introduction

### 1.1 Background

The importance of the prominent status of health care systems to develop the quality of human life in modern social development has been broadly recognized. The efficient management of logistics is crucial for the effective and efficient delivery of health services. Quality health care service is a fundamental right of citizens (National Health Policy, 2019). The quality health care is an integrated outcome of procuring, supplying, delivering health-related resources. “No commodities no health services” is a well-known quote of the health system to indicate quality, effectiveness and universal health services to the people. Without the necessary commodities, expected health services cannot be delivered (Procurement facilitation book, LMD/DOHS, 2074). Procurement is a process to make the availability of necessary medicines and equipments as needed. So that, procurement and availability of commodities are two parts of one system. (NHSP, MOHP (2009). *Public Procurement Guidelines*).

Procurement is the principal interface between the public procurement system and suppliers and aims to get the correct measure of medical products most cost-effectively. Procurement is the acquisition of goods or services at the best possible total cost of ownership, in the right quantity and quality, at the right time, in the right place for the direct benefit or use of the governments, institutions, or individuals generally through contract. But it is not limited to contract only. (LMD report, 2074, PPA 2007)

The procurement of health commodities is a complex operation requiring many steps and stakeholders both within and outside of the government (LMD/Three Year’s Report, FY 2071/72 – 2073/74).

Procurement is a systematic and fact-based approach for optimizing and improving the overall value proposition of the health system. The national health systems, existing procurement practices, procurement related rules and regulations are often unable to meet the procurement needs effectively (USAID/DELIVER).

Improving the equitable, efficient, effective, and responsive supply chains and procurement processes for pharmaceuticals, vaccines and other health products, which constitute a bigger percentage of total health expenditure in Nepal, has significant implications for health system performance and overall health of the population (GoN, Red Book. MOF, 2014/15-2018/19). A significant part of health expenditure in Nepal is on medicines, vaccines, types of hospital equipments, and other wellness commodities (RH and FP commodities). Addressing differential costing of procured commodities at all levels of a health system, supply shortages in complex settings can be vital for strengthening health systems (Seidman & Atun, 2017).

### Logistic Management and Procurement Background in Nepal

Previously, Logistic Management Division (LMD) was organized under the Department of Health Services in 1993, with a network of central and five regional medical stores as well as district-level health offices. The major function of LMD was to procure, store and distribute health commodities for the health facilities. It also involved repairing and maintenance of bio-medical equipments, instruments, and vehicles.

The overall objective of logistic management division is to plan and carry out the logistics activities for the uninterrupted supply of essential medicines, vaccines, contraceptives, equipments, LMIS forms and allied commodities (including repair and maintenance) (*LMS/MD*).

- Overall management of logistics, LMIS systems, planning, procuring and distribution
- Forecast annual requirements of health related commodities and make annual procurement plan
- Monitor quarterly the national pipeline and stock level of health commodities, etc.

After the restructuring of the Ministry of Health and Population (MoHP) and its subordinates, LMD is restructured as a section under the Management Division (MD) of DoHS to perform the same activities as before. Management Division (MD) was established under the Department of Health Services for logistic management functions. The major function of MD is to procure, store and distribute health commodities for the health facilities of the government of Nepal. It also involves the repair and maintenance of bio-medical equipment, instruments, and vehicles at the central level and support to the province when needed. Currently, the specification bank of MD contains 472 standard specifications of 70 essential drugs and 1,060 standard specifications for goods in the Nepal health system (*LMS/MD*).

Similarly, a separate body was established in all provinces as Logistic Management Center under the Ministry of Social Development for coordinating, procuring, distributing including logistic related recording and reporting systems inside the provincial authority.

### **Drug Procurement and Distribution**

A significant part of the National Health Budget (NHB) in Nepal has been spent on the purchase of essential drugs (*Budget Analysis, NHSP 2019*). The drug procurement process involves various steps such as information collection, advertisement (tender notice), contract with suppliers, and distribution of quality drugs at the lowest possible cost to all health institutions. As the GoN has developed regulations for procurement after enactment of the procurement Act (2007), it has to follow the procurement cycle.

In Nepal, domestic drug products meets less than half of the total drug demand. The rest of the drugs have been imported from other countries (more from India or Bangladesh). There is no single domestic pharmaceutical company that can supply all the essential drugs demanded by the public sector. (Adhikari. P, Public Procurement Issues and Challenges in Nepal)

For the effective implementation of health programs, year-round availability of essential drugs and equipment in the public health facilities is very important. Most of the studies have indicated that government supplies of essential drugs are not sufficient to meet the requirement of the communities.

### **Procurement provision in the new context of the country**

The procurement and distribution of medicines be managed primarily as per the concept of 'central bidding, local purchasing' in line with the framework contract. As per drug type and it's costing, the government also procured medicines and equipments by applying G2G (government to government) can also choose an alternative approach as needed. Three different government levels to procure and distribute medicine currently exist: *LMD/DOHS/MOHP (2074)*

1. Logistic Management Section under the Management Division (MD) at the federal level
2. Logistic Management Center (LMC) under the Ministry of Social Development at Province Level.

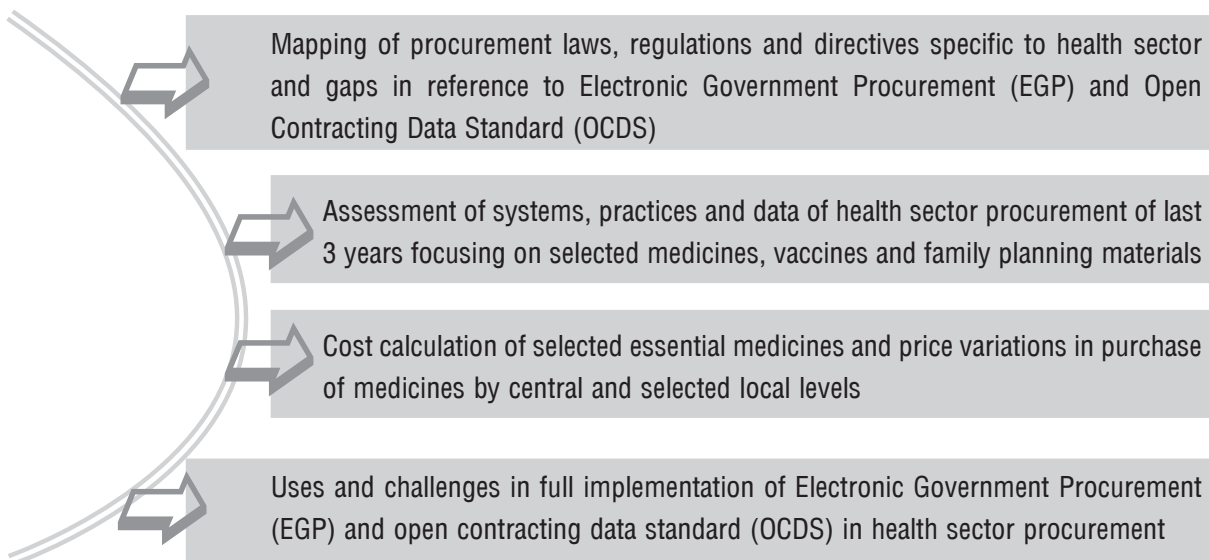


3. Procurement related section and health section at Local Government also has the right to procure medicine

The authority of procurement has been delegated to the local and provincial levels as per the federal system. Deviating from the current practice of procurement- which is 70% at a central level, 10% at regional level and 20% at district level, arrangements will be made for 60% of the procurement at local level, 20% at province level and 20% at central level. Vaccines, health products, and super specialty equipment will be generally procured at the center, while gradual arrangements will be made for the procurement at the province. (MOHP, Public Procurement Improvement Plan 2017/18-2021/22)

## 1.2 Objectives

The overall objectives of the study to mapping the existing procurement related laws, Gaps, issues and challenges of EGP and OCDS in health system. Along with this, an assessment of health system procurement of selected medicines, vaccines, including cost calculation and price variations. More specifically,



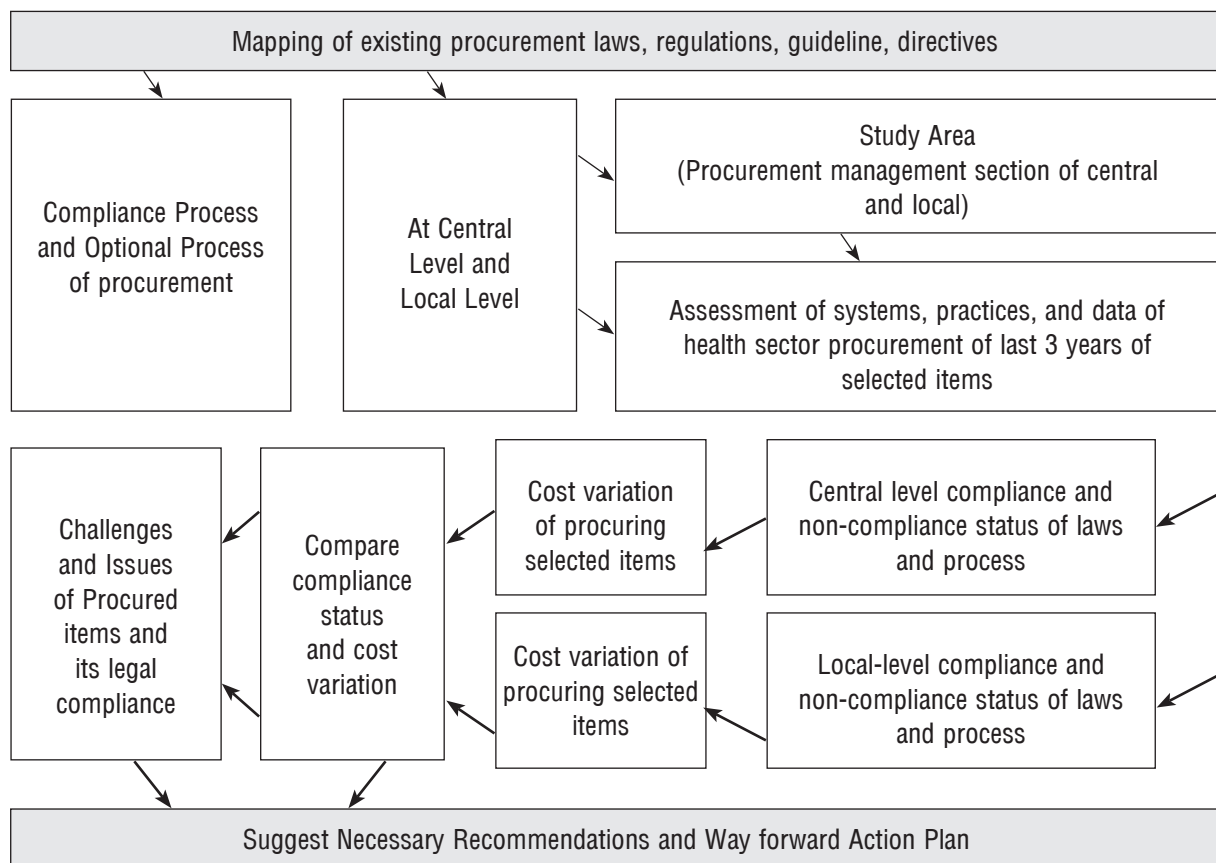
## 1.3 Methodology

The following approach was used for the study of medicine procurement process and status in the health sector.

Study Design	Cross-sectional descriptive study
Study Site	The sample of the study site will be from Bagmati province Makwanpur, Kathmandu and Kavrepalanchowk
Study Population	Health-related government authorities
Study Unit	Health facility Health section of municipality Management division and its section Pharmaceutical and supplier-related representatives
Sample and Sampling	As purposively as need
Sampling	Purposively selected districts, Health facilities

Study Design	Cross-sectional descriptive study
Data Collection Tools	Unstructured questionnaire Discussion facilitation guideline Observation checklist
+Data Collection techniques	Face to face interviews/discussions Observations Secondary data review and tools Desk review sheet
Data Analysis and Management	Excel sheet for data entry Narration
Data Presentation	Tabular, pictogram and text
Limitations	Limited to two districts Research conducted just after restructuring Relatively concise sample Unable to observe data due to recording and reporting confusion at the province and local level

Framework of study is as follows:



KII and IDI implemented is as follows:

Office Name	Level	No	KII/IDI
<b>Federal Level</b>			
Management Division (Department of Health Services)	Division Chief	1	√
	Procurement Section Chief	1	√
	Staffs	3	√
PPMO	Section Chief	1	√
	Technician	1	√
<b>Provincial Level</b>			
Ministry of Social Development	Logistic Management Center	1	√
Health Directorate	Directors	1	√
	Procurement related staffs	2	√
District Hospital	Procurement related staffs	1	√
<b>Local Level</b>			
Hetauda sub-metropolitan city	Health Section	1	√
	Procurement related section	1	√
Dhulikhel Municipality	Health Section	1	√
	Procurement related section	1	√
Manahari Rural Municipality	Health Section	1	√
	Procurement related section	1	√
	PHCC	1	√
<b>Others</b>			
Nepal Pharmacy Association		1	√
Nepal Pharmaceutical Association		1	√
Nepal Hospital and drug supplier-related organization		1	√



# CHAPTER 2

## 2. Public Procurement in Nepal

Public Procurement (PP) includes all activities of acquiring goods, services and works ranging from large-scale infrastructure projects to small scale including consulting services. According to the public procurement Act, “Procurement” means the acquisition of any goods, consulting services or other services or carrying out or causing to be carried out any construction works, by a public entity according to this PPA 2007. A large percentage of Total National Budget (TNB) is allocated for procurement (Procurement of goods, construction services, work services and many more) (GoN, Red Book. MOF, 2014/15-2018/19). This shows that public procurement plays an important role in the country as it contributes to promoting socioeconomic development, competitiveness, efficiency, transparency and good governance (Mcintyre D. et.al, 2017).

However, according to the Nepal Government, transparent and responsible public procurement is one of the key challenges to establish good governance in Nepal at present. Although the single legislative provision relating to public procurement institute (Public Procurement Monitoring Office-PPMO) in 2007 has resulted in significant benefits in bringing transparency, competitiveness, efficiency, and broadly good governance in the procurement system. There is a need for continued efforts in extending its coverage, monitoring its compliance as well as improving and facilitating support mechanisms.

### 2.1 Main Acts, Regulations, Policies and Directives

#### Act

#### 1. Public Procurement Act 2007 (3<sup>rd</sup> amendment 2016)

##### Overview of Act

The Public Procurement Act (PPA) is classed as an Administrative/Public law which regulates the procurement activities of public bodies. It complies with the Constitution of Nepal, National Policies, and practices with the sharing of the common objectives of public procurement systems which are:

- Maximize economy and efficiency in public procurement, and obtain the best value for public expenditures
- Promote economic development of Nepal, including capacity building in the field of public procurement
- Promote competition and foster participation in public procurement proceedings of qualified suppliers, contractors and consultants
- Provide equal access without discrimination to all eligible and qualified providers of goods, works and services, and fair and equitable treatment of all bidders
- Promote integrity, fairness, accountability and public confidence in the public procurement process; and
- Achieve transparency in the procedures, process and decisions relating to public procurement.

The PPA contains ten parts. The first part deals with definitions and scope of application. The PPA applies to any procurement undertaken by public bodies that appear in the Schedule to the Act as well as those which meet the definition of a public body.

The second part of the Act explains the provisions relating to the responsibilities of procurement and its methods. Further, these parts describe the description of goods, construction works and services; a process of cost estimation for procurement, development of procurement plan, responsibilities of procurement activities, methods of procurement.

The third part of PPA explains the provisions of a bid. Process and stage of bidding, prequalification of bidding, preparation of bidding documents, call to bid and clarification of biddings, deadline of bidding, submission process, withdrawal, validity of bid documents, bid security, examination/evaluation of bids, rejection/cancellation of a bid, acceptance of bid and procurement contract.

Similarly, provisions relating to consulting services also fall under the fourth and fifth parts of PPA. Other provisions relating to procurement (like sealed quotation, direct procurement and special provision to ration procurement) are also included in the Act. It further explains about house contracts, transportation contract etc. as well. The different legal provisions relating to a review of procurement proceedings or decision, procurement contract and implementation/conduct process are described on sixth to eighth parts respectively.

Establishment of institutions for monitoring of procurement process is included in the ninth part of PPA. The Public Procurement Monitoring Office (PPMO) as an independent body under the prime minister's office for policy-making, monitoring, oversight and regulatory work for public procurement.

Part 10, the last part, contains miscellaneous provisions, such as delegation of power, procurement transaction, methods of communication, repeal of the amendment, information dissemination etc.

## **Regulation**

### **1. Public Procurement Regulation 2064 (8<sup>th</sup> amendment 2076)**

The Public Procurement Regulation (PPR) is classed as supportive laws of PPA, which further describe and regulates the procurement activities of public bodies included in the PPA.

## **Policies and Directives**

- Nepal Public Procurement Strategy Framework Phase II (2013-2016)
- Directives of the procurement process through EGP 2016

## **2.2. Tools**

As per the Act provisions, various tools that facilitate the procurement process are:

- Process of calling for bidding (Materials, specification, type, quantity, nature etc.)
- Development of bid document and its framework
- Process of submission of bids
- Bid selection process, criteria and template
- Contract award form
- Process of appeal, rejection/cancelation

## 2.3. Procurement Approaches

All government institutions should follow the PPA and PPR for the procurement of construction services, goods and work services. Principally, government primarily enforces procurement through the Electronic Government Procurement (EGP) for accessing all possible bidders. This makes for more transparent and accountable procurement process at all levels of government.

Public Procurement Monitoring Office (PPMO) had the vision to establish a centralized e-Government Procurement (EGP) System for nationwide public procurement management. This is a web-based one-stop procurement portal covering various activities of the public procurement cycle, including registration of bidders, procurement planning, e-tendering, on-line evaluation, contract management etc.

The Act envisions various methods of procurement. Widely, three methods of procurement are currently applied by government institutions.

- Direct Purchase
- Sealed quotation
- Open Bidding
  - National
  - International

A. Widely applied procurement methods			
Methods	Procure of	Financial Limit	Process
Direct Purchase	<ul style="list-style-type: none"> <li>• Unique goods and services</li> <li>• Single sourced item</li> <li>• Single producer domestic</li> <li>• Proprietary goods</li> <li>• From Public entity</li> <li>• G-to-G</li> </ul>	<ul style="list-style-type: none"> <li>• Small and non-recurring procurement (Rs.5 Lakh)</li> <li>• Standing list (Rs.1 Lakh)</li> </ul>	<ul style="list-style-type: none"> <li>• Cost and Qualification based selection (CQS)</li> </ul>
Sealed quotation	<ul style="list-style-type: none"> <li>• Any type of Goods/works/services per need</li> </ul>	<ul style="list-style-type: none"> <li>• Goods/works/ service- Rs.20 lakhs</li> <li>• Medical supplier- Rs. 50 lakh</li> </ul>	<ul style="list-style-type: none"> <li>• Competitive procedure</li> <li>• Single bid process</li> <li>• At least 3 quotations require, otherwise re-notice</li> </ul>
Open Bid a. <u>National bid</u> : Participation only by nationally registered bidders (Payment currency and dispute resolution as per national laws) b. <u>International bid</u> : Participation not only by nationally registered bidders but also international bidders (Payment currency and dispute resolution as per agreed clause)			
National bid	<ul style="list-style-type: none"> <li>• Any type of Goods/works/service as per need</li> </ul>	<ul style="list-style-type: none"> <li>• No financial limit</li> </ul>	<ul style="list-style-type: none"> <li>• Competitive procurement</li> <li>• Following all bidding process</li> <li>• Standard bidding process as PPMO</li> </ul>
International bid			
Emergency Procurement <i>(PPA 66&amp;PPR 145)</i>	<ul style="list-style-type: none"> <li>• Goods/works/services per need during emergency phases (immediately in short period)</li> </ul>	<ul style="list-style-type: none"> <li>• NA</li> </ul>	<ul style="list-style-type: none"> <li>• Process- permission from one higher level</li> <li>• Competitive or negotiation</li> </ul>

<b>B. Other type of Procurement methods</b>			
<b>Methods</b>	<b>Procure of</b>	<b>Financial Limit</b>	<b>Process</b>
Users-committee (UC) procurement <i>(PPR 97)</i>	<ul style="list-style-type: none"> <li>• Mostly construction services</li> <li>• No heavy equipment purchase (an exception exists)</li> </ul>	<ul style="list-style-type: none"> <li>• Cost estimation up to NRs 10 million including overhead, VAT, contingency and public contribution.</li> </ul>	<ul style="list-style-type: none"> <li>• Public notice by entity or request letter from UC.</li> <li>• Agreement</li> <li>• All bills must be passed by UC.</li> <li>• Public audit (Expenses)</li> </ul>
NGO procurement <i>(PPA 46 PPR 99)</i>	<ul style="list-style-type: none"> <li>• Mainly training activities</li> </ul>	<ul style="list-style-type: none"> <li>• NA</li> </ul>	<ul style="list-style-type: none"> <li>• Public notice by entity or request letter from NGO.</li> <li>• Minimum cost basis</li> <li>• Other processes as similar to sealed quotation.</li> </ul>
Force Account <i>(PPA 8 PPR 98)</i>	<ul style="list-style-type: none"> <li>• Regular repair, cleaning, regular small works</li> </ul>	<ul style="list-style-type: none"> <li>• Very small scale</li> </ul>	<ul style="list-style-type: none"> <li>• Goods procurement – under usual procedure</li> <li>• Only labor part is force account</li> <li>• No standard documents-practiced by usual procedure</li> </ul>
Catalogue shopping <i>(PPA 8, PPR 31B)</i>	<ul style="list-style-type: none"> <li>• Goods/works/services per need</li> </ul>	<ul style="list-style-type: none"> <li>• NA</li> </ul>	<ul style="list-style-type: none"> <li>• Producer or authorized agent only eligible for bid</li> <li>• Competition of price amongst supplier on the published price on webpage or in catalogue.</li> <li>• Remaining procedure is same as other bidding.</li> <li>• Maybe multi-year</li> </ul>
Buyback method <i>(PPA 8, PPR 31D)</i>	<ul style="list-style-type: none"> <li>• Procurement of goods having hazardous impact with the condition that it will be returned after expiry and new procurement</li> </ul>	<ul style="list-style-type: none"> <li>• NA</li> </ul>	<ul style="list-style-type: none"> <li>• First bid is purely competitive method, from downward stage-it goes to single source</li> </ul>
Limited tendering <i>(PPA 8, PPR 31C 31E)</i>	<ul style="list-style-type: none"> <li>• Goods/works/services per need</li> </ul>	<ul style="list-style-type: none"> <li>• Up to NRs. 1 billion-domestic competition</li> </ul>	<ul style="list-style-type: none"> <li>• A competitive procedure with producers/suppliers</li> <li>• No-multi-year benefit</li> </ul>
Lump sum Discount method <i>(PPA 8 PPR 31A)</i>	<ul style="list-style-type: none"> <li>• Goods/works/services per need</li> </ul>	<ul style="list-style-type: none"> <li>• Competition on rate of discount on rate on cost estimation</li> </ul>	<ul style="list-style-type: none"> <li>• A competitive procedure under national bid (may be multi-year)</li> </ul>



# CHAPTER 3

## 3. Health Sector in Nepal and its Services Mandate

### 3.1. Restructured Health Sector

The Constitution of Nepal has declared that health is a fundamental right and every citizen shall have access to free basic health services to attain quality of life. MOHP has developed the basic health service package to ensure the constitutional provision of the fundamental right of health.

Health is an important development agenda and so it must be included in all policies (at all levels of government). A coherent health policy that is acceptable to federal, provincial and local government would help in setting the priority in budget allocation. The evidence-based annual work planning and budgeting at all levels of government needs to be harmonized through a comprehensive policy framework. This is important because the constitution of Nepal has mandated 'concurrent rights' to all levels of government

Currently, Nepal is restructuring the national health services as per federal governance systems. The services and functions of MOHP have been restructured and reclassified in federal, provincial and local government levels. As per the constitutional provision, there is a separation of rights and duties on health systems and services among the three levels of government.

The constitution defines the government structure and functions mandating the local levels to deliver the package of basic health services. The responsibility of formation of health policies and service standards, management of central and referral hospitals, response to outbreaks and disasters, and health-related international cooperation remains with the federal and provincial governments. The federal government is playing a supportive role in enhancing the capacity of local and provincial governments. The following actions have been taken to transition towards federalism:

- Allocation of the health budget to local governments.
- Handing over of health facilities to the provincial government and local governments.
- Deputation of health workers to the province and local level.
- The reporting system is harmonized with three tiers of governments.

Following institutions are established for taking health services leadership in their own territory and authority.

Central Level	
Ministry of Health and Population	Policy lead and management
Department of Health Services	Technical implementation
Management Division	Enhance management system of Health (Information management, Logistic management etc)
Province Level	
Ministry of Social Development	Provincial-level policy lead and management in health
Health Directorate	Technical implementation
Logistic Management Center	Logistic procurement, storage, distribution, information management etc

Palika Level	
Metropolitan City Sub Metropolitan City Municipality Rural Municipality	Local-level policy lead and management in health
Health Division/Section	Technical implementation of health services and support
Logistic Section/Procurement Section	Logistic procurement, storage, distribution, information management etc

Besides this, some hospitals have their own management structure and procurement system. However, they are in compliance with the PPA and PPR of the Nepal Government. They are allowed to develop guidelines for procurement, but these should not contradict national laws and policies.

### 3.2. Health Service Delivery Institutions in Nepal

Health is a sensitive concern and the most important aspect of human lives. Health services are an institution based integrated and efficient management of different components like human resources, technology, infrastructures and equipment, medicines and materials. The major institutions that deliver basic health services in 2074/75 were public hospitals (123), Primary Health Care Centers (PHCC) (200), health posts (HP) (3,808) and recorded non-public health facilities (1,715). Along with this, about 12,180 primary health care outreach clinics (PHCORC) (Named as Gaun Ghar clinic) provide basic health services to communities across the country. About 16,022 Expanded Programme of Immunization (EPI) clinics provided immunization services. These services were supported by 49,001 female community health volunteers (FCHVs). All these institutions have been providing promotive, preventive, curative and rehabilitative health services nationwide (*Annual Report 2075, DOHS*).

### 3.3. Health Response Status

Attainment of an optimum level of quality health of Nepalese citizens is the main goal of National Health Policy 2076. The poor performance of health literacy and health service accessibility is still a major challenge towards that attainable goal. Nepal is still at the lower end in comparison to other countries in Asia, though progress has been observed in some health indicators. The Nepal Government has made significant progress towards reducing maternal, under-five and infant mortality rates. Similarly, Nepal was able to halt and reverse the trends of tuberculosis, HIV and malaria along with the eradication of polio, elimination of maternal and neonatal tetanus and leprosy. For instance, in 2016, infant and child mortality was reduced from 46 to 32 and from 54 to 39 per 1000 live births respectively within the last five years. Despite this progress, the stagnation in quality and responsive health care services is a major challenge. (*NDHS 2016*)

The alarming rise of non-communicable diseases, including mental health, natural or induced disaster (accidents and injuries) is another health threat in the coming years. Nepal government needs to take actions to respond to these threats, or else Nepal will lose its human productivity in the coming years. GoN, Nepal Health Sector Strategy 2015-2020; 2016

The high out of pocket expenditure is a major barrier to use of health service for the majority of Nepalese. Approximately 10.7% of the population have experienced catastrophic financial exposures, with 1.67% of the population falling below the poverty line because of health expenditures. (*Mcintyre D. et.al. 2017*)

These concerns are reflected in the Nepal Health Sector Strategy 2015-2020 which outlines four strategic directions: health system reform, equitable access, improved quality of services, and multi-sectoral approaches. Nepal aims to decrease out of pocket expenditure by accelerating Universal Health Coverage (UHC) that also helps to achieve the sustainable development goals of health. Also, the National Health Policy of Nepal (2076) aims to improve access to quality and equitable health services, provide free Basic Health Care Services (BHCS) and make a conducive universal environment to every citizen for joining national health insurance plans.

**3.4. Logistic System in Health**

The government has a policy of providing essential drugs, commodities, and equipment uninterruptedly. Product selection, procurement, distribution and storing are key management activities addressed in national logistic management guideline. For facilitation, government has established a number of health institutions in the country. Such institutions are established in the Federal, Provincial, Municipal and communities for better and timely delivery of health services.

All these health service facilities require an uninterrupted supply of essential drugs, medicines, vaccines, contraceptives, and non-medicinal commodities like HMIS/LMIS forms. To facilitate health logistics activities in the country, its institutions like section/centers in federal, provincial and municipal has been established. Furthermore, the other major activities of Logistic management institutions are to forecast, quantify, procure, store and distribute health commodities, equipment, instruments and repairing & maintaining all these items.

Round the year availability of quality medicines in public health facilities is very important for the effective delivery of health services. To make it happen, the procurement of medicines and its supply management system should be considered as one of the most important components. Many reports, news and public critics argue that the medicines supply mechanism is not appropriate in Nepal. Moreover, it has been discussed that there should be a proper mechanism of procurement and distribution of quality medicines at different levels. Ministry of Health introduces a different mechanism for quality and timely procurement of medicines as per government objectives.

LMIS was established as a credible information system in the MOHP and is used in analysis of health sector service indicators. An effective Logistics Management Information System (LMIS) collects essential data about stock status and consumption and ensures accountability and cost-effectiveness for all products in the supply chain. LMIS has facilitated evidence-based logistics decision making and initiatives in annual and periodic logistics planning.

**Components and functions of logistic management systems**

SN	Components	Key functions
1	Consolidation of procurement plan	<ul style="list-style-type: none"> <li>• Integration of annual forecasting and quantification</li> <li>• Coordination with other divisions on items and quantity for procurement</li> <li>• Development of consolidated procurement plan</li> <li>• Approval of the procurement plan</li> </ul>

SN	Components	Key functions
2	Procurement of health related goods and technologies	<ul style="list-style-type: none"> <li>• Use and endorsement of specifications</li> <li>• Notice publication</li> <li>• Bid preparation</li> <li>• Tendering</li> <li>• Bid evaluation</li> <li>• Contracting</li> <li>• Pre and post shipment inspection</li> </ul>
3	Supply chain management	<ul style="list-style-type: none"> <li>• Pipeline monitoring</li> <li>• Transportation and distribution</li> <li>• Warehouse management</li> <li>• Inventory management</li> <li>• Capacity building</li> <li>• Monitoring and evaluation</li> <li>• Reverse logistics</li> </ul>

### 3.5. Health Service Mandate

Health rights enshrined in the Constitution of Nepal will be firmly implemented. The rights of every citizen to receive free basic health services from the state will be executed at all levels. National Health Policy 2018 has advocated the health of Nepalese citizens through effective, efficient, integrated, equitable, accessible and affordable health services nationwide. All development plans also spell out about the health services and health of the people. Similarly, Nepal Health Sector Support (NHSS) Plan 2016-2020 has also set its own objectives and targets for the improvement of the health of the people.

Similarly, Internationally Nepal is a signatory to different health treaties like Universal Health Coverage, Sustainable Development Goals, Maternal Health, Ottawa Charter, WHO Charter, the UN Charter, etc.

These policies and legal provisions provide different responsibility and accountability for the health system governance. To fulfill this provision the following service mandates are formulated by the health system:

1. Development of necessary Act and Regulations
2. Defining, reforming and upgrading the necessary health service structure
3. Formulating health-related policies, developing and expanding health institutions established in line with these policies.
4. Projection of manpower for health institutions and develop such manpower.
5. Ensure the supply of drugs, equipment, instruments and other material at all levels.
6. Intervention of various aspects of public health (maternal and child health, communicable disease control, eradication of malnutrition, prevention of control of NCDs).
7. Immediate solution to problems arising from natural disasters, accidents and epidemics.
8. Establish relationships with foreign countries and international institutions.
9. Create a conducive atmosphere to encourage the private sector, non-governmental organizations and foreign institutions to participate in health services.
10. Maintain data, statements and information regarding health services, update and publish them as required.

# CHAPTER 4

## 4. Procurement in Health Sector

### 4.1. Policies, Plans, Guidelines, Directives of Procurement

The MoHP aims to continue to improve its procurement management and, in particular, the timely procurement of essential commodities. The Financial Management Improvement Plan (FMIP) (2016/17-2021/22), and Procurement Improvement Plan (PIP) (2017/18-2022/23) have been developed and subsequently implemented. Its implementation has also improved the efficiency of procurement and resource allocation in the sector. Financial planning and implementation provides a foundation for effective and efficient service delivery.

Meanwhile, public procurement is prone to corruption and risks are exacerbated in the health sector. Corruption in the health sector can be reduced by more transparency in the price of medicine, more consolidated requirements at central level or joint procurement initiatives. The Government aims at generating savings and ensuring high-quality and efficient goods and services at a competitive price.

### Trend in Health Budget Allocation

The table below shows the health budget allocation trend for Federal, National, Provincial, and Local budget, including expenditure from FY 2014/15 to FY 2018/19. Health budget includes the budget for the MoHP and conditional grants to PGs and LGs.

*Amount in NPR billion*

Categories	2073/74	2074/75	2075/76	2076/77
Total Health Budget	37.2	41.6	46.9	56.4
Federal (MOHP) Budget	37.2	41.6	31.8	34.1
Local Health Budget	NA	NA	15.1	18.2
Provincial Health Budget	NA	NA	NA	4.2

*Source: MoF, Economic Survey FY2014/15-18/19; GoN Red Book, FY 2014/15-18/19*

### Allocation of Health Budget by Line-item at Federal, Provincial, and Local levels

The health budget allocated to provincial and local governments is provided in the form of a conditional grant. The following table summarizes the budget provided to the FGs, PGs and LGs.

*Amount in NPR million*

Line Item	Allocated Budget (NPR)				
	Federal	Provincial	Local	Amount	%
Wages and Salaries	1,362	1,011	11,459	13,832	24.5
Support Services	527	252	1,312	2,092	3.7

Line Item	Allocated Budget (NPR)				
	Federal	Provincial	Local	Amount	%
Capacity Building	179	714	760	1,653	2.9
Programme Activities	1,083	394	2,044	3,520	6.2
Medicine Purchases	3,527	786	894	5,207	9.2
Grants to Hospitals	18,833	940	1,211	20,984	37.2
Capital-Construction	7,508	21	315	7,845	13.9
Capital Goods	1,063	67	158	1,288	2.3
<b>Total</b>	<b>34,082</b>	<b>4,185</b>	<b>18,153</b>	<b>56,420</b>	<b>100</b>

Source: MOHP, Red Book, FY 2014/15-18/19

Almost 38 percent of the health budget is allocated as hospital grants followed by 25 percent in wages and salaries. At the same time, the majority of the health budget for medicines, grants to hospitals, capital construction, and capital goods remains at the federal level.

### Drug Procurement from Health Budget by Federal, Provincial, and Local levels

Almost 30 percent of the budget under drug procurement is spent on purchasing vaccines, diluents, and syringes followed by free health care (27%) and HIV/AIDS and sexually transmitted disease (STD) drugs (9%). The responsibility for the purchase of rabies, ant-malarias, kala-azar, lymphatic filariasis, anti-snake venom, and homeopathic drugs is allocated entirely to the federal level. Similarly, all obstetric, general, and specialised drugs are purchased at the provincial level. At the same time, the purchase of more than 80 percent of homeopathic drugs and nutritional drugs and supplements are allocated to the provincial level. Likewise, the purchase of 85 percent of Ayurvedic drugs and 56 percent of free health drugs are allocated at local level.

Amount in NPR million

Drug Related Activities	Allocated Budget (NPR)				
	Federal	Provincial	Local	Amount	%
Vaccines, Diluents, and Syringes	1,524	36	-	1,560	29.96
Free Health Drugs	450	170	805	1,425	27.36
HIV/AIDS and STD Drugs	413	32	2	448	8.60
TB Drugs and Supplies	365	9	-	374	7.18
FP Commodities	272	5	-	277	5.31
Emergency Preparedness Drugs	113	14	-	127	2.43
Lab Kits/Reagents/Chemicals	102	-	-	102	1.96
Nutritional Drugs & Supplements	86	331	-	417	8.00
Rabies Vaccine	70	-	-	70	1.34
Antimalarial Drugs & Supplies	47	-	-	47	0.89
Kala-azar Drugs & Supplies	28	-	-	28	0.53
Anti-Snake Venom (ASV) Drugs	20	-	-	20	0.38

Drug Related Activities	Allocated Budget (NPR)				
	Federal	Provincial	Local	Amount	%
Lymphatic Filariasis Drugs	20	-	-	20	0.38
IMNCI Drugs & Supplies	15	120	-	135	2.59
Homeopathic Drugs	4	-	-	4	0.08
Ayurveda Drugs	-	15	87	101	1.95
Obstetric Drugs	-	44	-	44	0.84
General/Specialised Drugs	-	11	-	11	0.20
<b>Total</b>	<b>3,527</b>	<b>786</b>	<b>894</b>	<b>5,207</b>	<b>100</b>

Source: MOHP, Red Book, FY 2014/15-18/19

At the local level, the main cost driver is purchase of free health drugs which accounts for 90 percent of the total budget. Similarly, at the provincial level the major cost drivers are the purchase of nutritional drugs and supplements (42%), followed by purchase of free health drugs (22%). At the federal level, 43 percent of the health budget is spent on the purchase of vaccines, diluents, and syringes followed by free health drugs (13%).

#### Equipment Procured from Health Budget by Federal, Provincial and Local levels

Equipment are procured from the health budget at three levels. About 93 percent of the budget for equipment purchase remains at the federal level. At the national level, the majority of the equipment budget is spent on purchasing cancer equipment (36%), followed by the purchase of medical equipment (33%) and purchase of office equipment (6%).

Amount in NPR Million

Equipment Categories	Allocated Budget (NPR)				%
	Federal	Provincial	Local	Amount	
Cancer Equipment	899	-	-	899	35.7
Medical Equipment	791	36	-	827	32.9
Computer/Photocopy/Printer	70	-	75	145	5.8
Maternal and Child Health Equipment	92	18	21	130	5.2
Cardiac, Thoracic, and Vascular Equipment	127	-	-	127	5.0
Cold Chain Equipment	115	-	-	115	4.6
Tuberculosis Equipment	82	12	-	93	3.7
Human Organ Transplant Equipment	72	-	-	72	2.9
Ayurveda Equipment	28	-	20	48	1.9
Ophthalmic Equipment	31	-	-	31	1.2
Laboratory Equipment	27	-	-	27	1.1
<b>Total</b>	<b>2,333</b>	<b>66</b>	<b>116</b>	<b>2,515</b>	<b>100</b>

Source: MOHP, Red Book, FY 2014/15-18/19

## 4.2. Acts, Plans and Guidelines of Procurement of Health Commodities

### Leading Acts

- Public Procurement Act 2063
- Public Procurement Regulation 2064
- Directives for EGP based procurement 2073

### Health Sector Related Plans

- Procurement Improvement Plan (2017/18-2021/22)
- Nepal Health Sector Support Plan (NHSSP) (2016-2021)
- Financial Management Improvement Plan (FMIP) (2016/17-2021/22),

### Guidelines

- EGP standard operating guideline for health relating procurement, 2075
- Supportive guideline for procurement and supply management of medicines

## 4.3. Procurement Practiced

The procurement process have been standardized and fully integrated into the LMS/MD/DoHS procedures. MD follows the standard procedures established for tenders. The tendering process is more accessible to possible bidders, and the quality of tender submission by the suppliers has reached a high standard.

Procurement activities start with the development of a consolidated annual procurement plan (CAPP) in coordination with program divisions and centers. When the budgets have been approved for each of the divisions and centers, and the CAPP has been approved. The procurement process of each procurement activity can start based on the information stated in the CAPP.

MD continues to add more commodities in the multi-year procurement. Condoms, Injectables, ORS, Iron tablets, Essential drugs are now procured through a multi-year mechanism. The multi-year mechanism saves every year bidding and evaluation time for the tender. MD has developed a technical specification bank (Technical equipment and medicines) to facilitate health institutions to procure universally acceptable quality drug and equipment as per national standard.

Besides this, MD provides Public Procurement Training to impart knowledge and skills to the federal, provincial and local governments to make the procurement process timely, simple, easy, uniform and more transparent over time. The following monitoring indicators are closely observed by the superior authority:

- Setting up of procurement committee (evaluation committee)
- Annual Procurement Plan
- Forecasting and quantification
- Cost estimation of health commodities
- Timely procurement and distribution
- Availability to procure drugs at service delivery point



## 4.4. System of Procurement

### Institutional Arrangement for Public Procurement

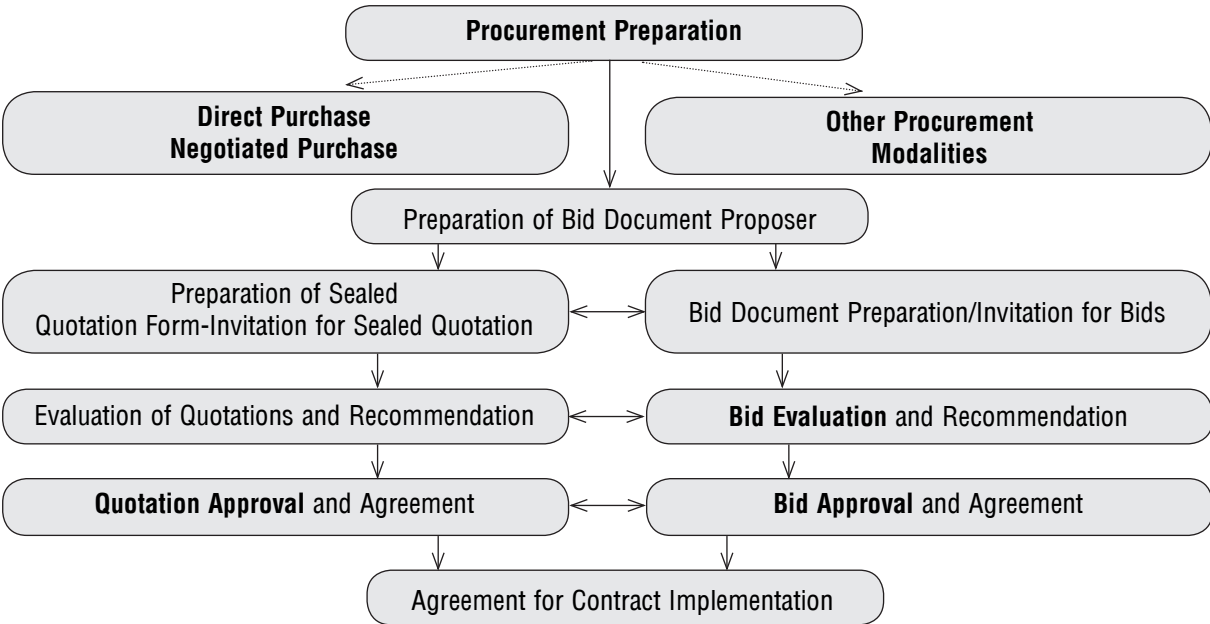
The PPA provides institutional measures for public procurement. The government has established the Public Procurement Monitoring Office (PPMO), under the Office of the Prime Minister, to offer the necessary advice, promulgate the necessary guidelines, facilitating public procurement by preparing standardized examples of bid/tender documents, monitoring the process of public procurement, and submitting an annual report. Every public entity is required to establish a Procurement/logistic Unit for public procurement. As per PPA and PPR the following committees for public procurement are commonly necessary:

- Cost Estimation Committee/Team
- Specification Committee/Team
- Tender/Bid Evaluation Committee: This committee is to be constituted as necessary by the public entity for the examination and evaluation of prequalification proposals, tenders, letters of intent, or proposals for consultancy service or sealed quotations, pursuant.

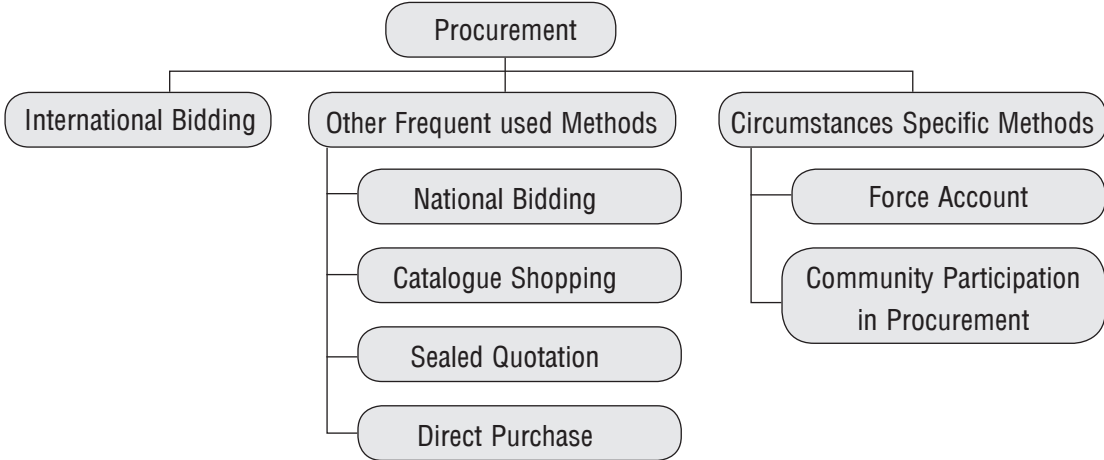
### Steps of Health Procurement

Procurement cycle steps	Goods/medicines	
Procurement Planning	Preliminary Planning, Budgetary provision and approval	Annual Procurement plan
	Listing of equipment, drug or vaccine, specifications, and cost estimates	Demand estimation LMIS information
	Prepare final equipment list, cost estimates, and broad technical specifications	Through the formation of a committee
	Prepare bidding documents	Use existing document and change as per specification, cost, etc
Determination of Bidders' Qualification	Determine qualifications based on the scale and nature of the work	Supplier/Bidder
Invitation for Bidding	Advertise	In National Daily or local daily newspaper
Issuing of Bidding Documents stage	Issue bidding documents	By Public Institute
Pre-bid Conference	Conduct conference, if necessary	By PI
Bid Opening	Receive and open bids and select the lowest evaluated bid	By procurement committee in the presence of bidder
Bid Evaluation and Selection	Evaluate bids and select the lowest substantially responsive bid	By evaluation committee based on already set indicator
Contract Award	Award contract	As evaluation committee recommendation
Contract Implementation and Closing	Delivery at a port or site specified in the bid document	As per indicated in the contract
	Evaluate the quality of medicine	As per quality check provision

**Procurement procedure framework (Medicine/drugs)**



**Selection of Procurement Method**



**Tools that support Health-related Procurement**

Form 1:	Master Procurement Plan_
Form 2:	Annual Procurement Plan of Goods/Others Services_
Form 3:	Annual Procurement Plan for Consultants' Services
Form 4:	Tender/Sealed Quotation Registration Book Sample Form
Form 5:	Attendance Record of Applicants or Representatives Submitting Tender/Sealed Quotation
Form 6:	Form for Opening of Tender/Sealed Quotation
Form 7:	Checklist Form for Legal Status and Completion
Form 8:	Checklist Form for Substantial Responsiveness
Form 9:	Comparative Chart Form
Form 10:	Technical Proposal Evaluation Form for Consulting Services
Form 11:	Financial Proposal Form

# CHAPTER 5

## 5. Research Findings

### 5.1. Analysis of Procurement Procedure

The Ministry of Health and Population is procuring the health-related medicines and equipment by using the Public Procurement Act 2063 (3<sup>rd</sup> Edition) and Public Procurement Regulation (8<sup>th</sup> Edition). Procurement rights are decentralized to each public Institute (PI) at all levels of government; although the majority of procurement expenditure takes place within MOHP and its subordinates. GoN has been implementing electronic Government Procurement (EGP) for more effective and efficient procurement of essential commodities on time. PPMO has been established as an apex body to regulate and monitor public procurement systems in Nepal.

#### 5.1.1. Analysis of Legal Framework

The legal framework for public procurement in Nepal was formulated in 2007. The main legal framework currently consists of:

- Public Procurement Act, 2007 (Third Amendment)
- Public Procurement Regulations, 2007 (Eighth Amendment)

#### Issues Responded by PPA and PPR

The PPA has been amended after an iteration of discussions with a range of stakeholders. Overall, the added or amended provisions are in the right direction. For instance, the onus of timely and quality procurement is placed on the chief of the procuring entity (department, division or section of a project or program), including the completion of the task within the stipulated time. Additionally, in order to make the procurement official more accountable, a provision of non-compliance is added.

Specifically, the amended PPA has included a provision that “Ensuring completion within the set time by conducting regular supervision, monitoring, and quality control measures to implement or to cause to implement the procurement agreement made under this act, will be the responsibility of the chief of the concerned public entity. The other positive aspects of the amended PPA are that e-bidding is now explicitly mentioned and six additional direct procurement methods are added, facilitating the procurement by public enterprises.

Another important amendment is the provisions to facilitate fast decision-making on matters related to cost variation. For instance, department heads can approve a variation of up to 15%, between 15% and 25% by the concerned Secretary, and on and above 25% by the Cabinet.

On the institutional side, regulatory function of PPMO has been expanded as to:

- Issue necessary manuals; work procedures; and technical notes required for procurement methods
- Review and cause to review after procurement
- Develop a roster of contractors, consultants, suppliers, service providers, including certify/ accredit procurement experts

- Issue electronic procurement guidelines. PPMO has been entrusted sole responsibility to maintain a national EGP system
- Take necessary action if procurement carried out by the public entity is found to be contradicting with the PPA, its rules, work procedure, or guidelines.

### **Remaining Gaps in PPA**

While these amendments are expected to make procurement timely and efficient, thus helping to accelerate project implementation, many shortcomings also appear in the amended PPA.

- The additional penalty (forfeiture of bid security and other financial penalties to the bidder) imposed in case the contract is not signed is impractical as merely putting a stringent provision may not help to get a good contractor. There is a need for concurrently improving the quality of selection, specifically, any deficiencies related to health commodities procurement
- The bidder who may withdraw later, needs to be detected and such a bid be duly rejected. Similarly, reduced rebidding time, in case the first round of bidding fails, this does not provide necessarily for fair treatment to new bidders or lead to the most efficient selection of a contractor.
- The amended PPA also provided a clearer provision for dealing with low bids, by specifying the level of additional performance guarantees.
- PPA did not respond to the concern of health related procurement separately. Still the provision enlisted in PPA and PPR regarding medicines and health equipments is treated as goods rather than the sensitivity needed of medicines.
- The issue of low price bidding needs to be dealt with by strengthening the technical evaluation, thereby effectively rejecting the insufficiently inexperienced, and unskilled bidders, which is one of the causes of the low price bidding.
- On this account, within the context of PPR amendment, PPMO is considering the introduction of one-stage, two envelope (1S2E) selection process, in which, technical and financial evaluation is separately undertaken.
- Likewise, there is a need for strengthening the disciplines of contract management for higher compliance with cost, time, and quality in executing the works after contract signing.
- Legally enforce EGP based procurement by the amended PPA, however it does not spell out about the publication of data standard which gives access to related stakeholders and civil society.

PPMO is now ready with the latest system from January 2017 for all public entities across the country, including all local-level agencies. This system is the full-fledged EGP system covering all aspects of procurement, from planning to contract management through the Public Procurement Management Information System (PPMIS).

### **Constraint of Scope of Legal Framework**

The PPA holistically covers the procurement of health related entities at all levels of government/semi government organisations including local bodies with government budget, loans or grants. Procuring of medicines like other works/goods found in PPA and PPR, which to some extent create fundamental disputes among the supplier and government agencies. This brings challenges in monitoring compliance of drug quality; as well as questions of the suitability of the legal framework for smaller, lower spending PI, in case of emergency, specific equipment etc. The MoHP has repetitively requested to revise, respond to

problems or develop separate Act/Provision for health related medicine and equipment procurement. PPMO has already noted the need for a separate provision/legal measure to ensure their suitability for most health sensitive related commodities procurement.

### **5.1.2. Analysis of Institutional Framework (IF)**

Procurement is decentralized to all levels of the government, after restructuring of the health system. The chief of each PI is responsible for ensuring all procurement activities carried out at their level. Central regulatory body (PPMO) will provide necessary support to the PI with close monitoring.

#### **■ Procurement Responsibilities of IF**

Each PI is required to establish a procurement unit or designate a unit with responsibility for procurement and contract management. PIs should form a bid evaluation committees. Staff conducting procurement is required to have training/knowledge prescribed by the PPMO and Management Division/DoHS.

Management Division provides central support by establishing databases of suppliers and average prices for common user items. Procurement units must generally obtain approvals for procurement from the chief of the PI. The chief of the PI approves bidding documents, while evaluations are approved according to value. The head of the PI has responsibility for financial management in addition to procurement.

#### **■ Monitoring and Oversight of IF**

The monitoring and oversight function has been used by PPMO, ministries and line government agencies in the following areas:

- Policy: advising procurement policy, process, reporting, reviewing the system, studying other systems and coordinating reforms.
- Regulatory framework: issuing guidelines, manuals and SBDs and advising PIs on their interpretation.
- Monitoring: collecting procurement and contract implementation statistics, requiring reports from PIs, monitoring and auditing procurement.
- Information dissemination (about procurement plan, procurement process and items, etc).
- Capacity building: arranging training and other programmes for public and private sector
- Regulatory: blacklisting suppliers, take necessary action for abuse of authority, corruption, etc.

Beside this, the MoHP, DoHS and Logistic Section also closely monitors the process of procurement as well.

### **5.1.2. Analysis of Procurement Procedures and Practices**

#### **■ Registration and Participation**

There are no restrictions (except the blacklisting of suppliers) on participation in public procurement who fulfil the minimum criteria developed by Management Division. However, the Nepalese Pharmaceuticals Company gets preference prices upto 15% more than price proposed by international company. There are no special requirements (other than legal provision) for suppliers to register in

competitive bidding or sealed quotations procurement. However, PIs are required to prepare standing lists of suppliers for direct procurement. The list must be advertised and updated annually.

## ■ Procurement Planning

PIs are required to prepare:

- A master procurement plan for procurement with a duration of more than one year or annual procurement with a value greater than NRs 100 million, which must be updated each fiscal year;
- Based on the master procurement plan, each PI should develop annual procurement plan, which includes all procurement items that are valued greater than NRs 1 million. The procurement plans are specified in detail, including timings, costs, methods, packaging, need for pre-qualification of bidders and types of contract.

PIs are also required to prepare cost estimates for procurement with a value greater than Rs 25 thousand. Written approval and confirmation of funding is required before the procurement proceeds. Despite these rules, most of the PIs do not have a master or annual procurement plans in place, there is poor correlation between procurement and budgeting and PIs have weak skills in preparing cost estimates.

Necessary procurement and contract guideline/directives has been recognized and were developed by MOHP/Province/Local government as needed. Some standard bidding documents (SBDs) and standard forms are developed by PPMO and MD/DoHS/MoHP.

## ■ Procurement Methods

The PPA defines a wide range of procurement methods, with a preference for competitive bidding. Thresholds are provided in the PPR and the splitting of requirements to avoid these thresholds is prohibited. The main permitted methods used in health system for procuring of goods, works and non-consultancy services are:

- Bidding for procurement above Rs 2 million for medicine and Rs 5 million for equipment. (Two types of bidding is envisioned by PPA (a) Open national bidding and (b) Open international bidding)
- Sealed quotations for procurement up to Rs 2 million for medicine and Rs 5 million for equipment.
- Direct purchase which is limited to specific circumstances, some of which require approval by a government committee. It is permitted for procurement upto Rs 0.5 million,
- Other Methods
  - Force account for regular petty work of an ordinary nature of hospital services.
  - Direct negotiations which is permitted for services under Rs 100 thousand or, with the approval of a higher level official, in other circumstances.
  - Government to Government for procuring of vaccines and some important medical equipment, etc.

### Voice representative of PI

“We call for registration of suppliers with predefined criteria. If the applying suppliers meet all those criteria, we will shortlist them through initial screening. Then we will ask for quotation from them and will select who offers us the best price.”

(Consultative meeting)

## **Bidding Process for Goods (Medicines/drugs), Works and Non-Consultancy Services**

### **■ Qualifications and Advertising**

- Bidding may be with or without prequalification. Prequalification is mandatory for large and complex contracts (as determined by PPMO and responsible PI)
- Qualification requirements may not be applied to a value less than Nrs six million, however, for medicine procurement that is mandatory
- Technical qualifications, equipment, past performance criteria, etc must be stated in prequalification or RFP documents
- Invitations to bid or prequalify must be published in national daily newspapers (or internationally for open international bidding) and on the website of the PI or PPMO. Invitation for sealed quotations must be published in national or local newspaper.

### **■ Bidding Documents and the Bidding Process**

- PIs are required to prepare specifications, plans, types, quantities or other descriptions based on relevant objective characteristics and functions. Particular brands or trademarks are only permitted where objective description is not possible and on the basis that equivalent products are also acceptable.
- Standard templates are provided for bidding with specified content, including clear descriptions of the procurement need, instructions on the bidding process, the evaluation criteria and methodology including any preferences and the terms and conditions of the contract.
- Bidders may be charged fees for bidding and prequalification documents, which are specified in the PPR and based on the cost incurred in preparation of the documents.
- A deadline for receipt of bids must be set, with bids kept unopened until this time and any late bids rejected. The PPA sets minimum bidding periods of at least:
  - 30 days for national bidding or pre-qualification
  - 45 days for international bidding or pre-qualification
  - 15 days for sealed quotations.
- Bid securities are required with a value of at least 2.5% of the bid value. Bids must be opened in the presence of bidders' representatives at the time and place stated in the bidding documents, immediately after the deadline for bid submission.

### **■ Evaluation**

Evaluation must be based on the criteria stated in the bidding document. Evaluation procedures are consistent and universal with accepted practices as recommended by PPMO. Award is given to the lowest evaluated substantially responsive bid, although a preference may be given to Nepalese bidders (or foreign bidders in joint venture with a Nepalese bidder) under international bidding. The technical and financial evaluation will determine the awarding of contract. Under the sealed quotation method, the lowest evaluated quotation fulfilling specified requirements that are within the cost estimate is accepted.

If negotiations are to be held with the proponent selected according to this Rule, the public entity shall give notice indicating the date, time and place for negotiations and inviting such proponent to appear therefor.

## ■ Contract Award and Management

Notice of intent of acceptance must be sent to the selected bidder within 7 days of selection of a lowest evaluated bid or successful proposal and information on the selected bidder (and the price of the selected bid) must also be sent to other bidders. The selected bid or proposal can only be accepted after a period of 7 days if no application for review is submitted. A public notice of procurement contracts must be published after conclusion of a contract.

Contracts may be amended by written consent of both parties, providing the basic scope of the contract is not changed. The PPA contains no specific provisions on approvals for contract amendments. In cases of unforeseen circumstances, variation orders of up to 15% may be issued without a contract amendment. Such variation adjustment is permitted for contracts with a duration of over 15 months.

## ■ Record Keeping and Communications

PIs are required to maintain a comprehensive list of records, using formats prepared by PPMO and Management Division/DOHS. These records must be kept for a period of at least 7 years from completion of procurement proceedings. There is no clear provision mentioned in PPA and PPR to disseminate all procurement information of all stages.

Communications must be in writing form. Many key communications must be sent to all bidders, including the list of pre-qualified bidders, bid clarifications and amendments and notices of cancellation.

## ■ Complaint and Review

The PPA establishes a mechanism for bidders to challenge procurement decisions, allowing bidders to file an application for review of any error or breach of duty by a PI in procurement proceedings. The right to be reviewed must be stated in bidding documents. Applications must first be submitted to the Chief of the PI unless the contract is already in force.

Complaints must be submitted to the PI within 7 days of the bidder being aware of the error or breach. Complaints or appeals to the Review Committee must be submitted within 7 days of the disputed decision by the PI. Review committee must decide the complaints within 30 days. Before contract award, the Review Committee may annul or prohibit incorrect decisions or order reevaluation in cases of breach.

### Voice representative of PI

“If we buy from the supplier designated by medical representatives, they will provide us with schemes and facilities. I want to maintain relationships and earn profit. Since price is always the same, we negotiate on facilities. When we buy in bulk they may offer us some extra facilities. Therefore, while purchasing medicine, bargaining will be done on such things.”

(Consultative meeting)

## ■ Prevention of Corruption

The PPA contains codes of conduct for public officials involved in public procurement and for bidders. The former requires officials to act impartially and in the public interest, avoid conflict of interest, maintain confidentiality and not commit corrupt, fraudulent or collusive practices.

The code of conduct for bidders covers bribery, misrepresentation, coercion, collusion, interfering with other bidders, seeking to influence the PI and conflict of interest. The PPA also requires bidding documents to state that bids will not be processed where there is a conflict of interest or legal action



for fraud or corruption and requires bids to be rejected in cases of collusion. Despite these rules, PPMO states that: there is widespread collusion and intimidation at time of bid submission with ineffective action at mitigation.

### Voice representative from Management Division

“We annually procure a wide range of medicines, equipment and materials from different suppliers. We strictly follow the rule of PPA and PPR during procurement process. We develop procurement plan annually and follow the PPMO guideline. The medicine procured from the government is always questioned about its quality. We are very serious about the matter. We have already developed the national standard of drug and followed WHO GMP for quality drug supply. However, the supplier plays a sinister role on drug quality. They must be responsible about that. If the government refunds the supplied item to the supplier they go to court and finally....”

Operational principles for good procurement practice should be regularly reviewed and procurement models adapted to fit different settings and emerging needs that are most appropriate for health. So that to abide to such a quality issue we need a separate Act or provision for drug and medical equipment procurement”

“It is very transparent; 100% as per the law. Due to the Commission for the Investigation of Abuse of Authority (CIAA), things are very tough now. Everything in procurement process is according to law.

(Consultative meeting)

## 5.2. Mapping of existing Acts, Regulations, Guidelines and others laws etc

There is one Act, one regulation that not only spells out about the procurement of drugs, but also other physical construction, consulting services etc. Beside this, there is a guideline for facilitating of the EGP based procurement process. There is no separate rules and regulations developed yet by other levels of governments (Provincial and Local). Though, the Hetauda sub metropolitan city developed one guideline for procuring drugs without contradicting the national level Act and Regulation.

SN	Name of document	Published	Provision of Procurement process	EGP		OCDS	
				Provision of EGP	Compliance (Mandatory or non-Mandatory)	Provision of OCDS	Compliance (Mandatory or non-Mandatory)
1	Public Procurement Act 2063 (3 <sup>rd</sup> Amendment)	By Federal Legislative Body	Full provision of procurement of all type of works, goods and consultancy	A	Mandatory but conditional	NA	NA
2	Public Procurement Regulation 2063 (8 <sup>th</sup> Amendment)	Cabinet based on PPA	Further explains the provision of procurement included in PPA	A	Mandatory but conditional	NA	NA
3	EGP procurement system operating directives 2074	PPMO	Procurement through EGP	A	As per PPA and PPR provision	NA	NA

SN	Name of document	Published	Provision of Procurement process	EGP		OCDS	
				Provision of EGP	Compliance (Mandatory or non-Mandatory)	Provision of OCDS	Compliance (Mandatory or non-Mandatory)
5	EGP Standard Operating Procedural Handbook for Health Related Procurement 2075	DOHS/MD (Now MD)	Procurement through EGP in health sector	A	As per PPA and PPR provision	NA	NA
6	Procurement guideline	Hetauda Sub Metropolitan City	Submitted guideline based on PPA and PPR	NA	As per PPA	NA	NA

A-Available; NA-Not Available

### 5.3. Review Process Procurement of Essential Medicines, Family Planning Devices and Vaccines

The health system has just been restructured. There are many tasks (staff deputation, handover of documents, development of rules and regulations at each level of government) still not completed. So that most of the drugs and equipments are supplied from Federal level till date. Whereas, only a very small amount and limited item was procured at the local level. There has not been started procurement process at provincial level.

SN	Name/Group of medicine	System of Procurement		Objectives of such procurement
		Methods	Found in	
1	Essential Medicines	Bidding	Federal Hospital	As per provision in PPA
		Direct purchase	At Palika level Hospital	Low budget Due to EOP NA of AP of Procurement
		Sealed Quotation	Hospital Palika Level	As per provision in PPA
2	Family Planning Devices (Pills, Condoms, Depo, IUD, Implant)	Bidding	Federal and Hospital	As per provision in PPA
		Direct purchase	NA	
		Sealed Quotation	NA	
3	Vaccines (BCG, DPV, OPV/IPV, Hib, MR etc)	Bidding	Federal	As per provision in PPA
		Direct purchase (G2G) (G2Multilateral organization)	Federal	
		Sealed Quotation	NA	

## Findings

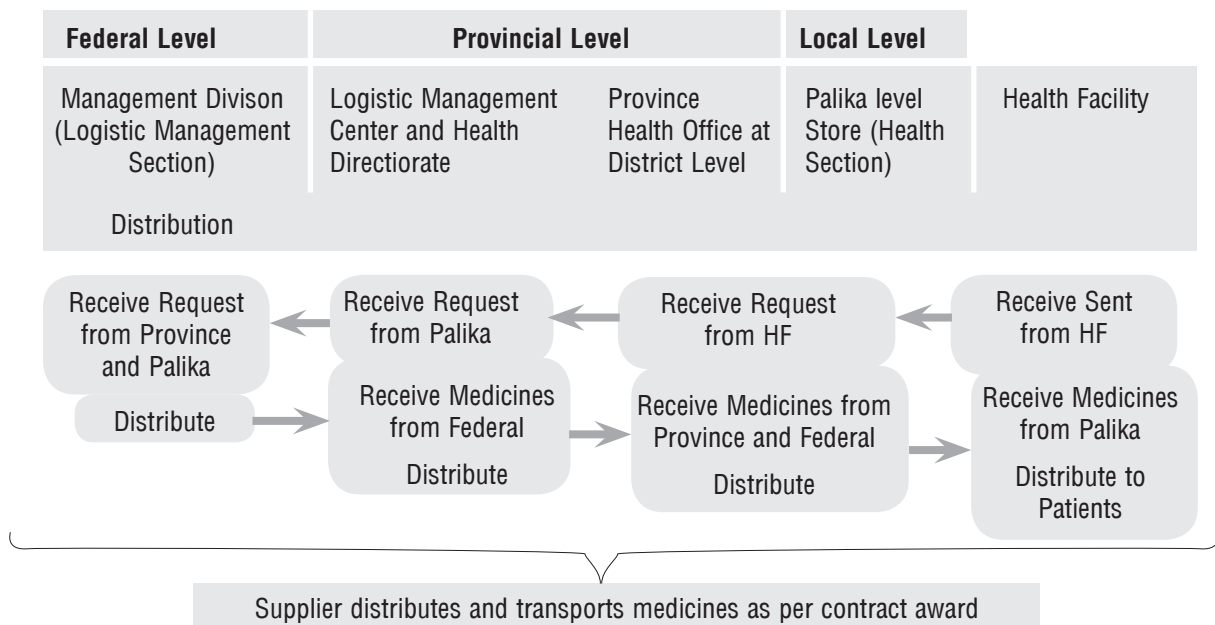
- The breakdown of budget and direct purchase is practiced widely in Municipal office (Sub Metropolitan, Municipality and Rural Municipality).
- Procurement of Vaccine is only done at the central level by the Management Division.
- Almost all organisations, enrolled in the study, were found in compliance with PPA and PPR for procuring whereas some hospitals developed their own guidelines. Hospitals developed their own guidelines for procurement of some emergency drugs. The guidelines was developed aligned with PPA and PPR.

## 5.4. Review Process Distribution of Essential Medicines, Family Planning Devices and Vaccines

### System of Distribution Practices

Previously, the distribution of commodities was done from all central and regional stores. Initially under pre-set quota system, the regional medical store was responsible for preparing kits for individual HF and its transportation to the respective district stores. The districts would then be responsible for onward distribution of such packages to the respective facilities.

Under the new system, as per requisition, management division is distributing the drug and medicines. Province level store (Logistic Management Center) is responsible primarily to deliver medicines to the Provincial Health Office to Palika level as demand. Federal institution is directly delivering the emergency, critical and most sensitive medicines, vaccines, Antidotes to health institution or facility. The currently practiced distribution chain is shown in the figure below.



### Cost of distribution

There is high variation in the cost of distribution (transportation). In most of the cases, the supplier delivers the medicines as a provision included in the contract award. If not included, then the following approach was used.

- Delivery by government vehicle (Store, District or Province).
- In some cases, staffs of health facility receive the medicine and claim the TA/DA.

- In some cases, vehicles was hired. The charge for vehicles was not fixed and high variation was found. The weather, distribution route, drug or equipment volume, road status and time period are the factors of variation in the cost of distribution.
- The data on vehicles hired was not available at the time of study.

### **Quality concern of procured and distributed drugs**

#### **Views of procurement section officials/hospital administration section**

“When asked about adoption of a quality assurance system for controlling substandard medicines, some respondents answered that they trusted doctors’ prescriptions and recommendations, and/or reputations of the manufacturers for ensuring quality of medicines. According to law, the medicine registered in DDA and which fulfil the WHO GMP standard is termed as quality drug.”

#### **Views of representative of LMS of federal and LMC of provincial and PC of municipalities**

“There is a pre-shipment inspection, post-shipment inspection, checking of Good Manufacturing Practice (GMP) and analysis certificates. We even appointed a third-party inspection agency for inspection of drug. There is a post-shipment inspection at the time of delivery. We randomly select medicines and send it to national medicines laboratories for inspection. However, the patients, parties and health worker are always questioning the quality. We are also surprised about the matter and still we are not 100 percent sure about quality drug supply at service delivery point.”

The study revealed that medicines in most hospital pharmacies were stored in appropriate conditions. Many had facilities for maintaining room temperature (20–25°C) and other conditions necessary to preserve the quality of medicines during storage.

#### **Views of representative from professional association of supplier and pharmaceutical company**

“Procurement must be supported by strong quality assurance principles to ensure that poor quality medicines are not procured or allowed into the system. Proper storage to ensure maintenance of quality in the whole supply pipeline is mandatory. We suppliers, always supply the drug as standard referred by government. They have a right to accept and reject the supplied drug. This is our duty, our code of conduct and prestige as well so that the government will take full responsibility about the maintenance of drug quality”

## **5.5 Cost Variation of Medicines, Vaccines and Family Planning Devices**

- The cost variation shows the critical status of medicine procurement process when compared with the unit price of a drug at the federal, provincial and local level.
- Procurement cost was found to be very high at the palika level as compared with medicine procured at the Federal Level.
- Cost increased by a minimum 10 percent to 300 percent in unit cost as compared with the cost of drug procured at central level in the last fiscal year. There are chances for the increase of unit cost of the procured drug and equipment in each government level due to administrative function, bid process, transportation etc. Besides this, the volume of purchasing, frequency of purchasing, purchasing point of stock (Purchase at emergency order point (EOP) and at time of disease epidemic/emergency period are another factor at unit price fluctuating at three tiers of government.
- However, direct purchase is the main cause of variation of the price at palika level.
- Almost all palikas procure medicine through the process of direct purchase by taking quotation.

### Voice representative from PI

*Voice of Hospital Pharmacy, Hospital administration on Drug Price variation*

“The hoopla surrounding marketing strategy of medicine is the major cause of increase to the unit cost of medicines. Doctors receive more priority and doctors are controlling the hospital rather than controlled by administration. This is more of a national issue rather than a hospital issue. The government has published a guideline of systematized medicinal promotion. Even though the undue benefits to doctor happens in all hospitals/store management.”

“Some medicines are important to patients and are life-saving medicines. Doctors have to prescribe such medicines and most of them are not available in Nepal. In such conditions when doctors prescribe them, we purchase from India, even from a medical supplier by direct purchase methods immediately. We store them separately and dispense it to patients at high cost. It is a non-legitimized process, but we are saving patients’ lives.”

(Consultative meeting and KI discussion)

The table below shows the range of variations of unit cost of procured drugs in the last fiscal year by Local level governments and hospitals as compared with federal procurement

#### Notation

1	Critically High	<b>CH</b>	More than 300 percent as compared to Federal level	If bought at NRs 10 per tab at that time at federal level other institutes bought at NRs 30 or above per tab
2	High	<b>H</b>	More than 200 to 300 percent as compared to Federal level	If bought at NRs 10 per tab at that time at federal level other institutes bought at NRs 20 to 30 per tab
3	Marginal High	<b>MH</b>	More than 110 to 200 percent as compared to Federal level	If bought at NRs 10 per tab at that time at federal level other institutes bought at NRs 12 to 20 per tab
4	Almost Equal	<b>AE</b>	Ten percent $\pm$ as compared to Federal level	If bought at NRs 10 per tab at that time at federal level other institutes bought at NRs 9 to 11 per tab
5	NA		Not available (had not started the procurement process) Could not procure at province level due to international bidding or donor fund	

**Generalized note:** The data on unit cost variations may not be generalized for the whole country. We need further extensive study on the unit cost variation. This data seems to suggest serious variation. The cost variations calculation of gross value (i.e. Not adjusted the volume of medicine procured, period of medicine, administrative cost, distribution cost etc)

SN	Medicine	Dose/Strength	Costing Variation Procurement		
			Municipal	Province	Hospital
1	Lingnocaine	Injection 2% ml	H	NA	H
2	Paracetamol	Injection 150 mg/ml	H	NA	MH
		Syrup 125 mg/5ml			
		Tablet 500 mg			
3	Chorpheniramine	Tablet 4 mg	MH	NA	H
4	Pheniramine	Injection 22.75 mg/ml	MH	NA	H
5	Albendazole	Chewable Tablet, 400 mg	H	NA	H
6	Metronidazole	Oral Suspension, 100 mg	MH	NA	H
		Oral Suspension, 200 mg/ml			
		Tablet, 200 mg			
		Tablet, 400 mg			
7	Amoxiciline	Tablet, 125 mg	MH	NA	H
		Tablet, 250 mg			
		Capsule- 250 mg			
		Capsule- 500 mg			
8	Sulfamethoxazole +Trimethoprim	Oral Suspension, 200 mg+40 mg/5 ml	H	NA	H
		Tablet 100 mg+ 20 mg			
		Tablet 400 mg+ 80 mg			
9	Ferrous salt+folc acid	Tablet 60 mg+ 250 mg	AE	NA	H
10	Calamine lotion	Lotion, 1%1	AE	NA	H
11	Gamma benzene hexachlorde	Cream or Lotion, 1%	H	NA	H
12	Povidone Iodine	Solution 5%, 450 ml	CH	NA	AE
13	Aluminium hydroxide + Magnesium hydroxide	Tablet 250 mg	MH	NA	AE
14	Hyoscine butylbromide	Tablet 10 mg	H	NA	AE
15	Oral rehydration solutions (ORS)	Powder, 27.5g/litre	CH	NA	H
16	Ciprofloxacin	Eye and ear drops 0.3% W/V	AE	NA	CH
17	Ciprofloxacin	Eye Ointment 0.3%W/W	AE	NA	H
18	Cloramphenicol Eye applicaps, 1%		MH	NA	NA
19	Clove oil	Oil	MH	NA	NA
20	Vitamin B Complex	Tablets	MH	NA	AE
21	Metoclopramide	Injection, 5mg/ml in 2 ml ampule	MH	NA	NA

SN	Medicine	Dose/Strength	Costing Variation Procurement		
			Municipal	Province	Hospital
22	Compound solution of Sodium lactate (Ringers' Lactate)	Injection solutions	H	NA	AE
23	Sodium chloride	Injection solution, 0.9% isotonic	MH	NA	AE
25	Atropine	Injection 1 mg of 60.5 mg in 1ml ampule	H	NA	NA
26	Ciprofloxacin	Tablet 250 mg	H	NA	NA
27	Benzoic acid + Salicylic acid	Ointment of cream, 6%+3%	AE	NA	AE
29	Frusemide	Tablet 40 mg	MH	NA	MH
32	Salbutamol	Tablet 4 mg	H	NA	MH
33	Oxtocin	Injection 10 IU in 1 ml ampule	MH	NA	AE
34	Magnesium sulphate	Injection 1 gm/2ml (50%WV)	AE	NA	MH
35	Gentamycin	Injection 80 mg/2 ml vial	MH	NA	AE
37	Phenobarbitone	Tablet 30 mg	AE	NA	NA
38	Chloramaphenicol	Oral suspension, 125 mg/5ml	AE	NA	NA
40	Dextrose Solutions	Injection, 5% Dextrose Solutions	H	NA	AE
41	Aminophylline	Tablet, 100 mg	MH	NA	CH
42	Acyclovir		CH	NA	CH
43	Astrovatation	10 mg	H	NA	CH
44	HCT		H	NA	CH
45	Amlodipine	4 mg	CH	NA	CH

### Family Planning

SN	Medicine	Costing Variation Procurement			
			Municipal	Province	Hospital
1	Family Planning Devices	Condoms	AE	NA	NA
2		Pills	AE	NA	NA
3		Dipo	NA	NA	MH
4		IUCD	NA	NA	MH
5		Implant	NA	NA	MH

### Vaccine and other medicines

SN	Medicine	Dose/Strength	Costing Variation Procurement		
			Municipal	Province	Hospital
1	Vitamin A		NA	NA	
2	BCG		NA	NA	NA
3	OPV		NA	NA	NA

SN	Medicine	Dose/Strength	Costing Variation Procurement		
			Municipal	Province	Hospital
4	IPV		NA	NA	NA
5	DPT+Hib+Hep		NA	NA	NA
6	MP		NA	NA	NA
7	PCV		NA	NA	NA

## 5.6. Responses of Stakeholders to Various Aspects of Medicine Procurement Process

The following table shows the response and views of stakeholders about the medicine procurement process, compliance, transparency, etc during key informant discussions, workshops, meetings, and consultative meetings held at various places.

SN	Areas of discussions	Responses
<b>A</b>	<b>Legal Framework</b>	
1	Which documents make up the legal framework? i.e. is there a procurement law / regulations / guidelines / manual? a specific clause to health-related procurement	<ul style="list-style-type: none"> <li>Public Procurement Act, 2007 (PPA)</li> <li>Public Procurement Regulations PPR), 2007</li> </ul> <p><b>Supporting Documents</b></p> <ul style="list-style-type: none"> <li>Handbook of Medicine procurement</li> <li>EGP operating standard guideline 2075</li> <li>EGP procurement system operating guideline 2074</li> <li>One directive on PPMO's website on price</li> <li>Adjustment</li> </ul> <p>No specific clause found for medicine procurement.</p> <p>– <i>Necessary to make a separate special provision or formation of new Act of procurement of Medicine and equipment.</i></p>
2	Are there standard bidding documents and/or any other standard forms or templates?	<p>SBDs for medicine procurement was found. This should align with PPA and PPR</p> <p>There is a provision to include some clause on bid document as per donor funded procurement of special medicine (Vaccines, Some specific drugs, Implant types)</p> <p>A few standard forms are on PPMO website e.g. procurement plan templates</p>
3	To whom are the legal framework applicable to? Is the legal framework applicable to all procurement or are there exceptions?	<p>Applicable for all level of government institutes/ semi-government/ government-funded or public institutes of three levels of government (Federal, Province and Local)</p> <p>No exception was found except emergency procurement</p>
4	What provision does the legal framework make for an application of alternative donor rules? (especially in a vaccine)	<p>An exception was found in cases of special government agreement with the donor</p>



SN	Areas of discussions	Responses
5	Any guidelines developed at provincial/local level government?	Yes. Province have submitted a bill for procurement within Provincial authority. But these should not contradict the basic principle of clause of public procurement included in the PPA and PPR.  Similarly, Palika also practices such guidelines for procurement at the Palika level.
6	Are the existing laws, regulations and policy guidelines on public procurement publicly available and, if yes, where/how?	The PPA and PPR, Policy, Strategic Plan, guideline, handbook is widely found in webpage of MOHP and PPMO
<b>B</b>	<b>Institutional Framework</b>	
1	Is procurement centralized or decentralized?	Decentralized, the chief of each PI is responsible for ensuring procurement activities carried out.  Management Division is establishing databases of suppliers, specification bank of medicine and equipment, etc. Yes there is PPMO to overall regulate and monitor the process centrally.  – Database is only accessible to government staffs who have a user name and password. Make its access (limited and necessary information as per OCDS standard to stakeholders
2	Is there a regulatory body for procurement? If so, who is responsible for health procurement/ what are its functions?	Public Procurement Monitoring Office (PPMO) since 2007 under Office of the Prime Minister and Council of Ministers.  The overall monitoring of medicine procurement plan and process is done by PPMO. Besides this MOHP, DOHS and MD are also equally responsible for monitoring.  – Due to its seriousness, it is necessary to make a separate monitoring unit for micro monitoring under the PPMO office for medicine and health equipment procurement, supply, distribution.
3	Who is responsible for monitoring or auditing Procurement	1. PPMO. Its functions include collecting data requiring reports from PIs, monitoring, undertaking (or arranging) technical audits of compliance and making observation visits. 2. Office of the Auditor-General audits procurement and publishes a specific guide on procurement audit. 3. Commission on Investigation of Abuse of Authority (CIAA) will investigate complaints made directly to it or through the media
4	Who is responsible for procurement within each agency? I.e. is there a procurement unit?	Overall responsibility rests with the Chief of the PI and procurement committee. Yes, each PI studied has their own procurement committee/unit.
5	How is procurement reviewed or approved within each level? i.e. is there any committee or board which approves?	Procurement units obtains approvals from the chief of the PI, Evaluated by an evaluation committee based on bid document, requirement or RFP. Found separate procurement committee and specification team. In some places evaluated by the same committee (UM/RM) whereas, in some places (HD/MSD) separate evaluation team, etc

SN	Areas of discussions	Responses
6	Who performs financial management functions (e.g. commitments, payments, etc)? Are they separate from procurement?	<p>The head of the PI is responsible for financial management. Procurement and financial functions are separated. Once contracts are awarded, copies are provided to the finance department, which also processes invoices.</p> <ul style="list-style-type: none"> <li>– Many queries on delays payment after completion of contract. So there is need for a more reliable mechanism to ensure timely payment</li> </ul>
<b>C Registration and Participation</b>		
1	Who could participate in the procurement procedure? Is there a list of suppliers or could anyone participate? Are there any requirements for supplier registration as a requirement of participation in procurement or as a condition of contract award?	<p>Everybody can participate, having a minimum criteria/qualification (registration, experiences, quality maintenance), etc</p> <p>PIs prepare standing lists (including lists of NGOs). Lists used for low-value direct procurement. List to be advertised and updated annually.</p> <p>Inclusion on the list is not mandatory for participation in open bidding, competitive proposals or sealed quotations.</p> <p>Procurement must be from bidders with VAT/PAN registration as per Tax law and PPA/PPR</p> <ul style="list-style-type: none"> <li>– <i>Quality is a major concern of medicine, always questioning?</i></li> <li>– <i>HW suggests making provision of buying medicines directly from the company with a high rating of quality products not only based on the WHO GMP</i></li> </ul>
2	Is there any mechanism for the suspension of nonperforming suppliers and/or those guilty of misconduct? If so, give details	<p>Yes, non-performing suppliers blacklisted by PPMO or PIs according to PPA)</p> <ul style="list-style-type: none"> <li>– <i>The list is displayed on PPMO website. During the visit to the website, the medicine supplied was blacklisted on PPMO website to date.</i></li> </ul>
<b>D Procurement Planning</b>		
1	Are governments/units required to prepare procurement plans?	<p>PIs should prepare a master procurement plan for procurements above Rs 100 million and update it each fiscal year. Similarly, an annual procurement plan for procurement above Rs 1 million. PIs required to prepare cost estimates for procurement above Rs 25 thousand.</p> <p>But during the study, the team did not find procurement plan at local level governments.</p>
<b>F Procurement Methods</b>		
1	What procurement methods are permitted for health-related commodities, goods, works and non-consultancy services?	<ul style="list-style-type: none"> <li>• Open national bidding <ul style="list-style-type: none"> <li>– Open international bidding</li> <li>– National bidding</li> </ul> </li> <li>• Sealed quotations</li> <li>• Direct purchase</li> <li>• Through participation of users' committee</li> <li>• Force account for regular petty work</li> </ul>

SN	Areas of discussions	Responses
2	Is the splitting of procurement to avoid thresholds prohibited? If yes why? Do you agree this is the best method? Helps to prevent corruption.	<ul style="list-style-type: none"> <li>• Yes, it has happened</li> <li>• Found to be used at Palika level and Hospitals for Medicine procurement.</li> <li>• This is not the best way but is practiced due to emergency buying of medicines.</li> <li>• No, it does not prevent corruption by splitting the budget.</li> <li>• Splitting of budget occurs due to minimum quantity order, low budget allocation and emergency order point (EOP) of some medicine.</li> </ul> <ul style="list-style-type: none"> <li>– <i>Due to loophole in PPA and PPR, splitting of budget has occurred at the Palika level.</i></li> <li>– <i>Participants voiced concern that direct purchase by splitting budget, increases corruption at the local level.</i></li> </ul> <p>Suggestions</p> <ul style="list-style-type: none"> <li>– <i>Plan better, with segregation of types of medicines.</i></li> <li>– <i>Integrated procurement managed at Province or Federal level, then no need to split the budget due to large amount procured.</i></li> </ul>
3	Are there practices of single-source procurement limited to specified, justified circumstances?	<p>Yes, direct purchase only for low values up to Rs 5 hundred thousands, if only one supplier can meet or supply the need</p> <p>Certain justifications require approval by a committee for direct purchase.</p> <p>Emergency procurement permitted in special circumstances i.e. epidemics natural disasters, war, etc.</p>
<b>G Bidding Process for Medicine</b>		
1	Are agencies required to advertise procurement opportunities widely, whether nationally or Internationally?	<p>Invitation to bid or prequalify to be published in daily newspapers of national circulation (or internationally for open international bidding) and on the website of the PI or PPMO.</p> <p>Invitation for sealed quotations published in the national or local newspaper.</p>
2	Is there a threshold for national and international bid open?	Not specific. This is based on the nature and funding of medicine to be procured.
3	Is use of restricted bidding limited to specified, justified circumstances?	No restricted bidding. But must meet the criteria as per bid document.
4	Are objective specifications or other technical documents required to clearly describe the subject of procurement?	<p>Yes, required to prepare specifications, plans, nature, type, quantity and other descriptions based on relevant objective characteristics and functions.</p> <p>Brand names etc is only permitted where other description is not possible and with equivalents permitted.</p> <ul style="list-style-type: none"> <li>– <i>Recommended to include rating criteria of quality drug not only based on WHO GMP but also doctor/user views.</i></li> </ul>

SN	Areas of discussions	Responses
5	Do templates for bidding documents: contain clear instructions on the bidding process? Disclose the evaluation criteria and methodology?	Yes, requires this content in bidding documents. SBD is developed as per the standard format of PPMO. Additionally, drug quality requirement and donor requirements is added as need. <ul style="list-style-type: none"> <li>– <i>Spell out the quality of medicine, testing of medicine.</i></li> <li>– <i>Make medicine test a provision from a supplier and direct purchase from market of the same brand, batch number and lot.</i></li> </ul>
6	Are agencies required to give a clear bidding deadline, keep bids securely and reject late bids?	Yes At least 30 days for national bidding/ prequalification and 45 days for international bidding/prequalification At least 15 days for sealed quotations
7	Is evaluation based on the criteria in the bidding document?	Yes, give evaluative indicator in bid document. The evaluation of bid document are consistent with usual national practices.
8	Is award to the lowest evaluated responsive bid?	Yes. Gives more flexibility on cost (15 percent additional) proposed by national company/production than international.  For sealed quotations, the lowest evaluated quotation fulfilling specified requirements is awarded
<b>H Contract Award and Management</b>		
1	Is any notification to unsuccessful bidders and standstill period required prior to award?	Yes, a notice of intent of acceptance sent to selected bidders. A selected bid can only be accepted after 7 days if no application for review is submitted.
2	Is the agency required to debrief unsuccessful bidders and publish details of the contract award?	PI must communicate grounds for rejection of bids to bidders who request this within 30 days of the notice of intent of acceptance.
3	What procedures and controls apply to contract amendments?	Contracts can be amended by written consent of both parties as indicated in contract document however the basic scope of the contract cannot be changed
<b>I Record Keeping and Communications</b>		
1	Is the agency required to maintain records of procurement activities?	Records to be kept for 7 years from completion of procurement.
2	Are communications with bidders and suppliers required to be in writing?	Communications to be in written form. PPA allows electronic communications where permitted by government, subject to requirements of security, access, preserving content and not otherwise contravening the PPA
3	Must communications such as bid clarifications and pre-bid meeting minutes be sent to all bidders?	List of pre-qualified bidders to be published and sent to all applicants. Bid clarifications and amendments must be sent to all bidders. Notice of cancellation must be sent to all bidders,

SN	Areas of discussions	Responses
4	Dissemination of information	Not yet to the public. The procurement process and information is not disseminated to the public. – <i>Develop a mechanism to publish all data of all stages of procurement to the public.</i>
<b>J</b>	<b>Transparency</b>	
1	Is there a clear policy and rules prohibiting corrupt and fraudulent practices? What are they?	Yes Bidding documents to contain information that bids will not be processed where there is a conflict of interest or legal action for fraud or corruption. Rejection of bids required in cases of collusion. – <i>Develop a strong provision of public monitoring, citizen engagement in the procurement process</i> – <i>Displaying of procurement data (OCDS) to the public in simple language would be momentous towards accountability. This would increase transparency in public procurement and check corrupt and fraudulent practices</i>
2	Is there a procurement code of conduct or other rules covering areas such as gifts, hospitality and conflicts of interest?	PPA gives a code of conduct for officials involved in the procurement process. Those Involved in procurement should act impartially, in the public interest, avoid conflict of interest, maintain confidentiality and not commit corrupt, fraudulent or collusive practices. PPA gives a code of conduct for bidders, which covers bribery, coercion, collusion, interfering with other bidders, seeking to influence the PI and conflict of interest.
<b>L</b>	<b>Audit, Monitoring and Citizen Engagement</b>	
1	Are there regular and systematic internal and external audits of procuring entities/PPOs? If yes, are they mandatory?	Yes and mandatory Officer of Auditor General (OAG) audits all of the procurement process 1. Internal Audit 2. OAG external audit – <i>Make provision for social audit of drug procurement (About procured amount, types, quantity, distribution, and availability, etc)</i>
2	Which bodies are in charge of this audit; are the audit reports publicly available?	The institution-based audit reports are not available publicly however accumulated information is found in the Report of the OAG
3	Are independent actors/ citizen representatives invited to monitor the procurement procedures	No provision envisioned/practice to monitor the procurement process by independent actors/citizens. – <i>Need to make provision to enroll citizens to closely monitor the procurement process.</i>

### 5.7. Electronic Government Procurement (EGP) in Health sector, Commodities Procurement and the Responses of Stakeholders

Public Procurement Monitoring Office (PPMO) operates the national e-Government Procurement (EGP) system in the country. This is a web based, one stop procurement portal covering various activities of the public procurement life cycle, including registration of bidders, procurement planning, e-tendering, on-line evaluation, contract management, etc.

Lack of transparency in government procurement has been a systemic problem in Nepal. In addition, inefficiencies due to manual and paper-driven procurement processes has resulted in poor service and limited participation of bidders. The Government recognized that establishing an EGP System could help improve transparency, efficiency, and value for money in government procurement. Stakeholders (government agencies and suppliers) also showed their support to the EGP concept. Now the EGP is mandatory provision after the 3<sup>rd</sup> amendment of PPA. Every public entity should mandatorily use the national EGP system for its procurement above NPR 6 million.

The following table shows the responses and views of stakeholders about the operation of EGP.

SN	EGP	Response
1	Has your institution adopted the EGP methods for procurement? Is there threshold for procurement through EGP according to existing laws?	Yes, as per PPA and PPR provision. Generally both methods are practiced EGP and Manual Mandatory for EGP above 6 million only. The study did not find use of EGP for drug procurement at the local level. However, at the central level hospital they used EGP – <i>Suggest to make EGP in all cases including quotation calls, direct purchases. Corruption has taken place mostly through quotation calls and direct purchases in drug procurement at the local level.</i>
2	Benefits/merits of EGP procurement that you perceived	<ul style="list-style-type: none"> <li>• Lots of benefits, more transparency, wide participation, well recorded, control of paper changes during process.</li> <li>• Cost effectiveness</li> <li>• Immediate action</li> </ul>
3	Any implication/demerits/Challenges of EGP?	Technology (database) hang, does not upload on time, internet problems, lack of trained HR at PI level, Poor technical capacity, energy supply and internet problems.
4	How could make EGP fully usable?	Provide bidding education, a well-run database, train HR and immediate response mechanism
5	Why are organisations reluctant to use EGP	<ul style="list-style-type: none"> <li>• Technical difficulties to EGP</li> <li>• Provision to use both (manual and EGP)</li> <li>• PI always followed the PPA for EGP tendering. There is no alternative option.</li> </ul>
6	As a minimum the following documents should be published:	
	• Procurement plan	Published but not on time
	• Procurement notice	Published
	• Tender document and any clarifications or edited or corrections	Published
	• Contract award notice	Published (Mostly in notice boards)
	• Award process and steps	Not published
	• Contract amendments	Not published
	• Contract cancellations	Published (Mostly in notice boards)
	• Types of procured commodities	Included in bid document, Not published separately
	• Eligibility criteria	Included in bid document more elaborately. General eligibility is published during notice

The above table shows that there is lots of provision of EGP in present Acts and regulation. However the public institute still uses both manual and e-G system. There is still a problem to publish all information regarding procurement due to technology, knowledge and HR constraints. The result indicates that we should have do more advocacy activities to government and stakeholders to operate the EGP system fully accountable procurement in the coming days.

### **5.8. Open Contracting Data Standard (OCDS) in Health Sector Commodities Procurement and Responses of Stakeholders**

Open contracting can transform public procurement through better data, analysis and engagement with businesses and civil society. It involves

1. Disclosure of open data and documents about planning, procurement, and management of public contracts; and
2. Engagement with civic and supplier users of information, leading to improved accountability and redress by government agencies or contractors through acting on the feedback received.

Nepal has taken a giant stride towards endorsing open contracting by public agencies (Department of Roads (DoR), Nepal Electricity Authority (NEA) which have opened up their contracts through a common 'Open Contracting Portal'.

Transparency in the contracting process play a critical role in fostering an atmosphere of trust between relevant stakeholders, the government and private contract implementing agencies. Open contracting will enable civil society oversight on public contracts, allowing them more effective resource monitoring and encouraging better resource management. When data and information about all public contracts is available, accessible, comparable and easily understood by citizens, it could open up opportunities for them to participate in all stages of the contract process, including the awarding of the contract and the monitoring and evaluation of its implementation. It will let citizens ask questions about where, when and how their tax money is spent, and hopefully enable them to hold the government accountable. Not only will open contracting help to check the government's actions, but it also holds the potential to improve the way the government bodies deliver services. The constructive engagement of citizens could help to identify ground level issues and problems, and help tailor the nature of contracts so that they better cater to the needs of citizens.

#### **Opinions from stakeholders regarding OCDS**

The Public Procurement Monitoring Office (PPMO), which runs Nepal's e-procurement platform, is in a good position to help other public institutions to start using data disclosure standards that could improve data management and disclosure mechanisms. The PPMO and other legislators, should make efforts to strengthen the oversight powers of citizens, and provide a legal basis for participating in and monitoring public contracting. Whereas, the Ministry of Health and Population has not started OCDS process till date.

#### **Legal Perspective for OCDS**

Nepal's citizens have a right to access information from public institutions under the Right to Information Act 2063. The preamble of the Act refers to public procurement matters, emphasizing their importance. However, the Public Procurement Act 2063, which is the key legislation regulating public procurement in Nepal, does not include the right to procurement information and only has limited disclosure provisions,

including publishing tender notices, and excludes all information about the other four contracting stages. It also does not mention how information should be published. None of the regulations guarantee any other type of citizen engagement in public contracting.

There is no provision in the Public Procurement Act 2063 or in any other legal instrument explicitly that ensures citizens' right to participate in public contracting through consultation, observation, or monitoring. Construction works is an exception. To create employment opportunities and involve communities in construction projects, procuring entities may decide the work would be best carried out by local community members.

The following table shows the responses and views of stakeholders about the operation of OCDS.

SN	OCDS	Responses
1	Does your government institution apply the OCDS system?	Not used except PPA and PPR provision or special instruction from higher authority
2	Is your institution publishing the following information? The methods of publishing the following information	
	• Average number of bidding document purchases and number of bid submissions	Not Published <i>(According to law minute of process should be published but not available in webpage at the time of study)</i>
	• Average number of bids per tender	
	• Number and percentage of open tendering/total number of tenders	
	• Time between notification of contract award and contract signature	Not Published
	• Number of amendments or extensions to contract duration (per project per contract)	Published
	• Number of days taken to complete a procurement process (per project)	Not Published
	• Award data to a firm (Name, eligible component, address)	Not Published
	• Given time period of commodities supply, places of supply and mode of distribution	Not Published (Included in contract document)
	• Award data by amount (How much, types and volume of commodities)	Not Published (But included in contract document)
	• Minimum date of expiry at final destination, place of delivery	Not Published of procured medicine (According to guideline 18 months)
	• Ranking of supplier	Not Published
	• Ranking by winning bidders/ suppliers (commodity classification by project) rationale of contract award	Not Published
	• Award by geographic region	Not Published
• Agencies/Institutions involved in selection/award process	Not Published But the committee exists or reformed as per need. This is a decision made by PI chief/ department head, however, not disclosed publically.	
• Locations of suppliers for particular municipalities, in other words, whether most of the contracts are awarded to companies in their locality, which may be of interest in terms of local business development	Not Published	



<b>SN</b>	<b>OCDS</b>	<b>Responses</b>
3	Benefits/merits of OCDS process that you perceive.	This helps create responsibility, accountability and transparency in procurement process
4	Any implication/demerits /Challenges of OCDS?	NA
5	How could make OCDS fully usable?	NA
6	Why organization to use OCDS reluctant?	Not mandatory provision in Act/rule/directives.

The above table shows that there is no evidence of data publishing practices as per OCDS standard. The result indicates that we should have do more advocacy activities to government and stakeholders to operate the system for publishing data for accountable procurement in the coming days.



# CHAPTER 6

## 6. Research Conclusions

### 6.1 Conclusions

Procurement is the principal interface between the public procurement system and suppliers that aims to get the correct measure of medical products most cost-effectively. Procurement is the acquisition of goods or services at the best possible total cost of ownership, in the right quantity and quality, at the right time, in the right place for the direct benefit or use of the governments, institutions, or individuals generally through contract. But it is not limited to contract only. (*LMD report, 2074*)

A significant part of the National Health Budget (NHB) in Nepal has been spent on the purchase of essential drugs. Drug procurement involves various steps such as information collection, advertisement (tender notice), contract with suppliers, and distribution of quality drugs at the lowest possible cost to all health institutions. As the GoN has developed regulation for procurement after enactment of the Procurement Act (2007), it must follow the procurement cycle.

The findings of this study indicates that the procurement Act and Regulation are implemented by all PIs for procurement process. It also found some significant factors that influences procurement practices in Nepal such as poor technical capacity to operate EGP and OCDS, supplier's undue influence of overwhelming control of doctors, and lack of regulatory enforcement. Moreover, the quality of medicines procured from supply chain shows possibilities of threats to health by counterfeit and substandard medicines. Absence of or unwillingness to use OCDS and citizen engagement was also a major concern. Adoption and regulation of national and international policies is recommended to improve accessibility of citizen engagement, transparency, responsible and accountable procurement system for an evidence-based and for affordable medicines.

#### **1. Mapping of procurement laws, regulations and directives specific to health sector and gaps about Electronic Government Procurement (EGP) and Open Contracting Data Standard (OCDS)**

There is one Act, one regulation that spells out not only the procurement of drugs, but also other physical construction, consulting services etc. The PPA and PPR needs to be followed for medicine procurement at all levels. Besides this, there are guidelines for facilitating EGP based procurement process. There are no separate rules and regulations yet developed by other levels of governments (Provincial and Local). Though, the Hetauda sub metropolitan city developed its guidelines for procuring drugs without contradicting the national level Act and Regulation.

Also additional guidelines have been developed for facilitating the procurement process that describe in PPA and PPR. Existing Act Spells out the mandatory use of EGP for procurement of more than Rs 6 million while no provision about OCDS is found. Stakeholders are not aware of OCDS. The legal provision does not spell out OCDS and that data be disseminated publically to create accountability.

## Leading Acts

- Public Procurement Act 2007
- Public Procurement Regulation 2008
- Directives for EGP based procurement 2016

## Health Sector Related Plans

- Procurement Improvement Plan (2017/18-2021/22)
- Nepal Health Sector Support Plan (NHSSP) (2016-2021)
- Financial Management Improvement Plan (FMIP) (2016/17-2021/22),

## Guidelines

- EGP standard operating guideline for health relating procurement, 2018
- Supportive guideline for procurement and supply management of medicines

## Analysis of Legal Framework

The PPA has been amended after an iteration of discussions with a range of stakeholders. Overall, the added or amended provisions are in the right direction. For instance, the onus of timely and quality procurement is placed on the chief of the procuring entity (department, division or section of a project or program), including the completion of the task within the stipulated time. Additionally, in order to make the procurement official more accountable, a provision of non-compliance is added.

The amended PPA has specially included a provision that “Ensuring completion within the set time by conducting regular supervision, monitoring, and quality control measures”. To implement the procurement agreement made under this act, will be the primary responsibility of the chief of the concerned public entity. The other positive aspects of the amended PPA are that e-bidding is now explicitly mentioned and six additional direct procurement methods are added, facilitating the procurement by public enterprises.

The PPA holistically covers the procurement of health related entities at all levels of government/semi government organisations including local bodies with government, budget, loans or grants. Procuring of medicines like other works/goods is found in PPA and PPR, which to some extent create fundamental disputes among the supplier and government agencies. This brings a challenge in monitoring compliance of drug quality; as well as questions of the suitability of the legal framework for smaller, lower spending PI, in case of emergency, specific equipment etc. The MoHP has repetitively requested to revise to respond to problems or develop a separate Act/Provision for health related medicine and equipment procurement. PPMO has already noted the need for a separate provision/legal measure to ensure their suitability for most health sensitive related commodities procurement.

## **2. Assessment of systems, practices and data of health sector procurement of last 3 years focusing on selected medicines, vaccines and family planning materials**

As per the Public Procurement Act and Regulations, the PPMO was established as a body to regulate and monitor public procurement in Nepal. Procurement responsibility is decentralized to each public Institute (PI); although the majority of procurement expenditure takes place within MOHP and its subordinates. The procurement of medicine is decentralized to the province and local level also. Among other initiatives, the GON is implementing electronic Government Procurement (EGP), with several modifications.

Every public entity is required to establish a Procurement/logistic Unit for public procurement along with the following teams:

- Cost Estimation Committee/Team;
- Specification Committee/Team;
- Tender/Bid Evaluation Committee: This committee is to be constituted as necessary by the public entity for the examination and evaluation of prequalification proposals, tenders, letters of intent, or proposals for consultancy service or sealed quotations, pursuant.

The following methods are widely used during medicine procurement:

- Open Bidding for procurement above Rs 2 million for medicine and Rs 5 million for equipment. (Two types of bidding envisioned by PPA (a) Open national bidding and (b) open international bidding)
- Sealed quotations for procurement up to Rs 2 million for medicine and Rs 5 million for equipment.
- Direct purchase, which is limited to specific circumstances, some of which require approval by a government committee. It is permitted for procurement up to Rs 0.5 million

Although the following practices are found at PIs,

- Almost all organisations, enrolled in the study, were found in compliance with PPA and PPR for procuring whereas some hospitals developed their own guidelines. Hospitals used their own guidelines for procurement of some emergency drugs. The guidelines was developed aligned with PPA and PPR.
- The breakdown of budget and direct purchase is practiced widely in Municipal office (Sub Metropolitan, Municipality and Rural Municipality).
- Procurement of Vaccine is only done at the central level by the Management Division.

Under the new system, as per requisition, management division is distributing the drug and medicines. Province level store (Logistic Management Center) is responsible primarily to deliver medicines to the Provincial Health Office to Palika level as demand.

There is high variation in the cost of distribution (transportation). In most of the cases, the supplier delivers the medicines as a provision included in the contract award. If not included, then the following approach was used.

- Delivery by government vehicle (Store, District or Province).
- In some cases, staffs of health facility receive the medicine and claim the TA/DA.
- In some cases, vehicles was hired. The charge for vehicles was not fixed and high variation was found. The weather, distribution route, drug or equipment volume, road status and time period are the factors of variation in the cost of distribution.
- The data on vehicles hired was not available at the time of study.

No data was available for the last 3 years on selected medicines, vaccines and family planning at province and Palika level. There was no properly recorded files and documents available at PI due to the restructuring of the health system, many administrative problems, uncompleted management of staffs, no institutional framework, poor handover mechanism and mismatched staff deputation were the major reasons for the unavailability of data at province and palika level.

### **3. Cost calculation of selected essential medicines and price variations in the purchase of medicines by central and selected local levels**

- The cost variation shows the critical status of medicine procurement process when compared with the unit price of a drug at the federal, provincial and local level.
- Procurement cost was found to be very high at the palika level as compared with medicine procured at the Federal Level.
- Cost increased by a minimum 10 percent to 300 percent in unit cost as compared with the cost of drug procured at central level in the last fiscal year. There are many reasons for the increase of unit cost of the procured drug and equipment in each government level due to administrative function, bid process, transportation etc. Besides this, the volume of purchasing, frequency of purchasing, purchasing point of stock (Purchase at emergency order point (EOP) and at time of disease epidemic/emergency period are another factor at unit price fluctuating at three tiers of government.
- However, direct purchase is the main cause of variation of the price at palika level.
- Almost all palikas procure medicine through the process of direct purchase by taking quotation.

The hoopla surrounding the marketing strategy of medicine is the major cause of increase in the unit cost of medicines. Doctors receive more priority and doctors are controlling the hospital rather than controlled by administration. This is more of a national issue rather than a hospital issue. The government has published a guideline of systematized medicinal promotion. Even though the undue benefits to doctor happens in all hospitals/store management.

### **4. Uses and challenges in full implementation of Electronic Government Procurement (EGP) and open contracting data standard (OCDS) in health sector procurement**

Public Procurement Monitoring Office (PPMO) operates the national e-Government Procurement (EGP) system in the country. This is a web based, one stop procurement portal covering various activities in the public procurement life cycle, including, registration of bidders, procurement planning, e-tendering, on-line evaluation, contract management, etc. The PPMO and other legislators, should make efforts to strengthen the oversight powers of citizens, and provide a legal basis for citizens to participate in and monitor public contracting. Moreover, the Ministry of Health and Population has not started the OCDS process till date. There is no provision in the Public Procurement Act 2007, or in any other legal instrument explicitly that ensures citizens' right to participate in public contracting through consultation, observation, or monitoring, although construction works is an exception.

#### **Gap in using of EGP and OCDS**

Both the suppliers, government offices, citizens and the community have no idea about OCDS, however, all government institutions and suppliers are aware and practice of EGP as per the Act provision.

#### **Challenges in the Implementation of EGP System**

Policy level

- There are problems with Sustainability, Reliability and Security
- There is poor technical support at the Palika level.

#### Technical level

- Sometimes, after data entry, the system becomes slow and it takes time to post entry. Data are lost, delay in response, data base hang, the poor state of the system is a major technical gap
- Previous year's procurement plan (PP) cannot be easily seen in the EGP system.

#### Infrastructure level

- Internet Problems: Except in the main cities WIFI and 3G are not working or it is very slow.

#### Operation level

- There is poor participation of suppliers in EGP till date. So that the Government calls for bidding in both way (EGP and Manual)
- Untrained HR in medicine and health equipment procurement through EGP or high transfer of staffs also create serious challenge for continuity of EGP

#### **Challenges in the operation of OCDS**

- Lack of technical knowledge/poor technical ability of the staff
- Government staff didn't know or didn't have enough knowledge about OCDS
- There is no mandatory legal provision to go OCDS in medicine and health equipment procurement
- Lack of information and knowledge regarding use of OCDS including civil rights and liabilities among the alert groups, public/civil society and concerned stakeholders.
- There is no EGP and OCDS information / data in a readable language, clearly visible and understandable
- The right to see data, the processing of Data, in readable language, and the data be clearly displayed on OCDS

#### **6.2. Challenges and Issues in Drug Procurement**

- Quality Issues
- Factory closures and GMP's suspension of Manufacturer (signed Contract for 18 items)
- Drug Quality Control: the role of DDA in WHO GMP Certification/Registration and Licensing
- Maintain supply of the quality of drugs from producers to final clients

#### **Procurement Planning**

- There is a problem in the development of specifications
- The Annual Technical Specification prepared by respective divisions causes delays in the procurement process.
- The process for cost estimation is not realistic
- The preparation of the Consolidated Action Plan of Procurement (CAPP) is not as per schedule.
- There are delays in the endorsement of annual procurement plans and its implementation.

#### **Procurement Management Issues**

- There is long lead time between procurement and supply at the central Level
- There is no standard procurement procedure for procurement and no clear job description.

- There is lengthy decision making process within PIs which delays procurement.

#### **Human Resources**

- There are inadequately trained HR to perform independently (not received any Procurement training), They have no exposure in procurement of public health program
- There is inadequate technical experts for Technical evaluations within the organization and Contract Management Personnel
- There are insufficient procurement professionals in MD, Province and Palika Level.

#### **Stock and Distribution**

- There are frequent out of stock/overstock with some Medicines and also have problems with dates of expiry.
- Real-time data on stock are not readily available. The quantification of essential drugs is not realistic. The stock balance of essential drugs frequently falls below the minimum required stock level.

#### **Technology and EGP**

- An online contract monitoring system is not in place which supports to identify the status of payment amount, date, advance payment and linkages with Procurement Status

#### **Interpretation of PPA and PPR**

- There are inconsistencies in the interpretation of procurement laws and its application.
- Staff have different understanding of procurement issues and procedures.

### **6.3. Positive Directions in the Public Procurement in Health Sector**

#### **Policy and Commitment**

- There is a strong political commitment for proper responsibility, accountability and good governance, zero tolerance for corruption and for citizen engagement
- There are elected political leaders at all the three tiers of government.

#### **Education**

- Educate communities and make them aware about community rights and responsibilities
- There is information and media access

#### **Act**

- The amendment PPA has helped in various critical issues although it has been unable to respond to the health related procurement implication properly
- The amendment in PPR has been made in line with PPA

#### **Management**

- An online E submission (EGP) has been introduced and a plan for online e-procurement \
- There is monitoring by PPMO with a developed portal network
- The Procurement process is expected to be faster at the Province and Palika Level
- Separate procurement right and management access between Federal to Local level



### **Supply and Quality**

- The growing number of domestic Pharmaceutical Industries needs to be regulated to assure quality products.
- There be proper linkage between procurement and contract execution and in the entire supply chain by developing and installing online software for Procurement contract monitoring



# CHAPTER 7

## 7. Way Forward

### 7.1. Way Forward

This research has highlighted some important questions on the health procurement system. The current challenges for the health system is to sustain the progress made so far in logistic management and refining policies that will facilitate the process of bringing procurement services closely to the public institutions, suppliers and consumers. The evidence based procurement system at all levels of the government needs to be harmonised through a comprehensive framework (transparent, responsible and accountable procurement) that is acceptable to the federal, provincial, and local governments. This is important, because the PPA and PPR of Nepal mandates specific 'Electronic government procurement' EGP to all public institutions. The following are specific recommendations on the way forward:

#### A. Policy Level (At policy level i.e. ministerial level)

##### Legal Measure

1. Support a revision of the existing health sector procurement guidelines by outlining specific legal measures, systems and process at all levels. It also include the dissemination of information regarding procurement procedure, decision and procured items. It is anticipated that each level of government will have the authority to formulate their own procurement plans, guidelines and policies which need to be harmonized at the National level PPA and PPR within a strategy umbrella.
2. PPA did not respond to the concern of health related procurement separately. Still the provision enlisted in PPA and PPR regarding medicines and health equipment is treated as goods rather than the sensitivity needed of medicines. It is necessary to advocate and lobby for a separate special provision in current PPA and PPR or to develop separate Acts to endorse the constraints faced in procurement of medicine and equipment.
3. Advocate and lobby to all stakeholders (members of parliament, government authorities and political leaders) to make provisions through a separate legal Act/Regulations/Guidelines to enroll citizens to closely monitor the procurement process.
4. All the Acts and Regulations did not spell out about the provision of OCDS. Advocate and lobby the legislative body to include the provision of OCDS in existing Act
5. Foster strong political commitment with adequate responsibility, accountability and good governance with zero tolerance for corruption and citizens engagement in the procurement process from local to the federal level.

##### Distribution and Disbursement

6. Advocate and lobby for an integrated procurement process from the Provinces instead of procurement at all levels of government.

7. Timely disbursement of health budgets remains a key challenge in the developing of procurement plans and process to procure drugs on time. As a result, there is a risk of failing to maintain financial discipline and to provide timely health services to the people. The MoHP, provincial and local authorities should assure timely disbursement of the budget and procurement on time.

### **B. Managerial Level (Federal DOHS and Province Health Directorate level)**

1. Suggest for the creation of a separate monitoring unit for micro monitoring under the PPMO office for medicine and health equipment procurement and supply.
2. Suggest to make strong provision for keeping record of data related to procure and distribute medicines and equipment at all levels of the government that is easily accessible to the public on a defined frame
3. It is necessary to make the specification bank more accessible of health commodities items to all levels of the governments.
4. Support for the development of multi-year procurement framework agreement to minimize the direct and quotation call
5. Advocate and lobby to for an integrated procurement process from the Provinces instead of procurement at all levels of government.
6. It is necessary to advocate and lobby to make special provision to control the budget break down and direct purchase in ordinary situations. In addition the procurement of drugs and equipments that are necessary during emergency (Epidemics or Natural disasters)
7. Support to increase technology competence among staff through onsite mentoring, technical support, basic training and availability of necessary logistics, print and distribute leaflets with its benefits.
8. Support for a strong provision of public monitoring, citizens engagement, in the display of data (OCDS) to the public in simple language which will be a landmark to make it more transparence.
9. Make EGP mandatory for all cases including quotation calls, direct purchases. Corruption has occurred mostly through quotation calls and direct purchases in drug procurement at the local level.
10. Develop advocacy tools of a minimum standard data of every procurement process which should be publicly displayed in accessible form through media or in some other forms.
11. The existing database is only accessible to government staffs who have a user name and password. Make its access (limited and necessary information as per OCDS standard) to stakeholders.

### **C. Operation Level (Procurement center, Procurement section of Federal, Province and Palika Level)**

1. Need a strong provision for keeping record of data on procurement and distribution of medicines and equipments at all levels of government that are easily accessible to public on a defined frame
2. Necessary to advocate and lobby to make special provision to control the budget break down and direct purchase in ordinary situations. In addition, the procurement of drugs and equipments that are necessary during emergency (Epidemics or natural disasters)
3. Support to increase technological competence among staff through onsite mentoring, technical support, basic training and availability of necessary logistics, print and distribute leaflets with its benefits.
4. Support for a strong provision of public monitoring, citizens engagement in the display of data (OCDS) to the public in simple language which will be a landmark to make it more transparent.

#### **D. Citizen and stakeholder Level**

1. Educate communities about community rights and responsibilities
2. Advocate through the mass media to increase civil society's knowledge on the rights and duties of citizens on procurement. Make them aware about the need to question, who benefits, areas of loopholes, information right, etc.



# References

- Adhikari Rajendra P., Public Procurement Issues and Challenges in Nepal, Advanced Research & Training Institute (ARTIst) , Kathmandu, Nepal
- ADB TA (July 2008). Nepal: Knowledge Transfer for Public Procurement, Final Report
- DoHS (2014/15-2018/19). Health management Information System: Population Projection. Department of Health Services, Kathmandu, Nepal.
- GoN (2014). National Health Policy, Government of Nepal, Kathmandu, Nepal
- GoN (2014/15-2018/19). Red Book. Government of Nepal, Ministry of Finance, Kathmandu, Nepal
- GoN (2015). The Constitution of Nepal. Government of Nepal, Kathmandu, Nepal
- GoN (2016). Nepal Health Sector Strategy 2015-2020. Government of Nepal, Kathmandu, Nepal
- GON (2063). Public procurement Act 2063 (3rd Edition)
- GON (2063). Public Procurement regulation 2073 (8th Edition)
- Japan International Cooperation Agency, the Crown Agents for Oversea Governments and Administrations Limited, 2013, Study on Public Procurement Systems and Capacity in South Asian Countries
- LMD/DOHS/MOHP (2074), Medical related commodities procurement and supply management facilitation book
- Logistic management division, Department of health services (July 2018). EGP standard operating guideline for health related procurement,
- Logistics Management Division, Department of Health Services, Ministry of Health (2075). Three Year's Report, (FY 2071/72 – 2073/74)
- Mcintyre D (2014) 'Shared Responsibilities for Health: A Coherent Global Framework for Health Financing' Final Report of the Centre on Global Health Security Working Group on Health Financing
- Mcintyre D., Meheus F. & Rottingen JA (2017) 'What level of domestic government health expenditure should we aspire to for universal health coverage?' Health Economics, Policy and Law. 12, 2; 125-137
- MOHP (2017). Public Procurement Improvement Plan 2017/18-2021/22,
- National Planning Commission Secretariat (NPCS), Singhadarbar, Kathmandu, Nepal,
- Essential Drug Procurement and Distribution Program Under Free Health Services,
- NHSP, MOHP (2009). Public Procurement Guidelines
- PPMO (2014). Nepal Public Procurement Strategic Framework (Phase-ii), 2014-16; July; PPMO
- PPMO (2068). Annual Report
- PPMO (2069). Annual Report
- PPMO (April 2012). Presentation Slides "Public Procurement Management and Reform Initiatives", Yajna P Gautam, Secretary
- PPMO, Prime Minister and Council Office, Nepal Government (2074). EGP Procurement System guideline 2074,
- Procurement Strategies for Health Commodities An Examination of Options and Mechanisms within the Commodity Security Context USAID/ DELIVER
- Public Procurement Monitoring Office (2013), Yearly Report of the Public Procurement Monitoring Office, Kathmandu, Nepal
- Shrestha Avanindra K (June 2011). Presentation Slides "Public Procurement Management and Reform Initiatives", Secretary, PPMO

