

Working Paper Summary: How Reforming Procurement Saves Lives

By Liz Dávid-Barrett

Professor of Governance and Integrity and Director of the Centre for the Study of Corruption,
University of Sussex

This report examines how partnering with external agencies on the administration of medicines procurement can yield major efficiency gains, by allowing tenders to be run fairly and contracts awarded to a wide range of suppliers. It analyses the impact of one such reform in Ukraine since 2015 as well as learning from similar cases in Zambia and Botswana.

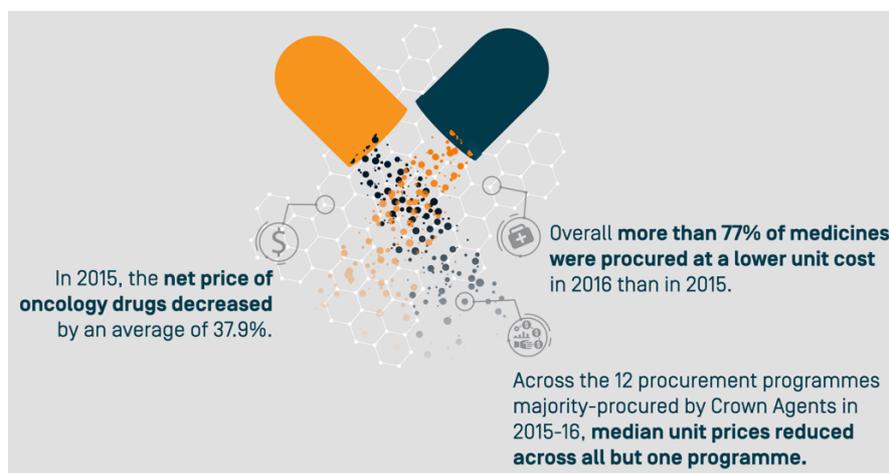
Why reform medicines procurement? The benefits

For ministers looking to reform the healthcare system, medicines procurement is a promising place to start. The overall amount lost to corrupt practices in healthcare is estimated to be \$500 billion annually, and procurement is the biggest risk area. If done right, reform in this area can deliver tangible benefits to patients and multi-million dollar savings to a country's budget relatively quickly, helping to build a wide base of support and set aside funds for further reforms.

Ukraine's Ministry of Health achieved efficiency gains across the medicines programme and a total of 40% in savings for the budget - amounting to over \$62m over 5 years. Even in the first year of using an external agent, more than 75% of medicines were procured at a lower unit cost than the previous year.

Patients are pleased with improved access to medicines and better health outcomes, including approximately 4,000 lives saved in stent-related cardio vascular operations alone. And local and international manufacturers gained access to a sizeable market, without having to worry about late payments or sudden changes to contracts.

Figure 1: Key achievements in the first two years



How to reform medicines procurement

Partnering with an external agent – one which already has a strong reputation for competence and a verified track record - can change incentives overnight and sends a credible signal to suppliers that the process will be open and competitive.



ACTION PLAN FOR REFORMERS



THE POLITICS OF REFORM

- 1** Demonstrate your local political mandate for change - and lock it in - by enshrining the reform in law. This will make it easier to implement the reform and harder for vested interests to reverse the decision.
- 2** Encourage international financing institutions such as the IMF and World Bank to make aid and loans conditional on achieving reform success. This leverage can help reformers win support from colleagues and keep the Finance Ministry on side.
- 3** Build coalitions that span government, civil society and the private sector. The success of reform in Ukraine owes a great deal to the way in which the reformers in government, the civil society organisations (both patients' organisations and anti-corruption watchdogs) and the procurement agents were willing to invest in building relationships and collaborating to overcome obstacles.
- 4** Invest in a communications strategy. It is essential to explain the need for reform to the public, to raise awareness about how the new system will work, and to proactively prepare for negative attacks from opponents.



THE TECHNICAL SIDE

- 5** Partner with an external agent that has a track record for managing procurement processes and an impeccable reputation for facilitating fair competition. Establish clearly responsibilities and reporting lines between the government and the external agent.
- 6** Include as much of the procurement cycle as possible in the reform. Parts which are left with the Ministry remain vulnerable to politicisation, meaning that reforms may not survive a change of leadership or government.
- 7** Professionalise the procurement function, encouraging the transfer of knowhow from the external agent to local officials, and embedding continuing professional development into performance management systems.
- 8** Teach local companies how to write competitive bids for tenders. The external agent can help by providing training sessions for producers and distributors.
- 9** Build a comprehensive data management system for assessing needs and stocks in different regions of the country and enforce compliance.
- 10** Invest in the pre-procurement planning function in the Ministry to encourage efficient decision-making, but maintain integrity checks – eg conflict of interest declarations for those assessing needs and writing technical specifications.