
Development partners should support governments to lead in-country reforms, helping ease institutional and legal barriers to effective procurement.

The Status Quo: Institutional Inefficiencies and Barriers Constrain Effective Procurement

In many low- and middle-income countries, outdated or inappropriate procurement processes lead to the inefficient use of scarce budgetary resources and limit progress toward universal health coverage.

- **Ineffective procurement processes**: Cumbersome and lengthy tendering processes can raise transaction costs. Further, annual purchasing of fixed volumes, based on inflexible and inaccurate demand forecasts, can lead to long lead times and more frequent stock-outs.

- **Payment delays**: In Angola, many provincial hospitals self-procure supplies, but payments managed by the central government can take eight months to process. In South Africa and Nigeria, anecdotal evidence suggests payment delays result in higher supplier prices.

- **Complex and lengthy product registration processes**: To register health products in many low- and middle-income countries, suppliers must surmount institutional, administrative, and legislative obstacles. The lag between initial submission of a drug or vaccine for regulatory approval (typically in a high-income country) and final approval in some sub-Saharan African countries can take up to seven years.

- **Legal barriers**: Laws and regulations can constrain adoption of strategic procurement processes and practices. In Mozambique, a decree prevents the Central Medical Store from using framework agreements. Industrial policies that support local industry can also impede optimal procurement. Uganda’s “Buy Uganda Build Uganda” policy, for example, requires exclusive procurement of locally manufactured products, potentially limiting competition.

Institutional Inefficiencies Lead to Suboptimal Procurement Outcomes

Institutional inefficiencies can result in higher transaction costs and limit competition, which can raise prices paid by public purchasers and consumers.

- **There is little competition in the supply of essential medicines in low- and middle-income countries**: Some markets may be dominated by a single or a small number of suppliers, which may lead to inflated prices. In some countries, the largest seller of certain therapy and product classes accounts for upwards of 85 percent of all sales, such as with contraceptives in Senegal, cancer medicines in Kerala, diabetes medicines in Zambia, and antiparasitics in South Africa (Table 1).

- **The poorest countries pay high— and highly variable—prices for basic medicines**: In some low- and middle-income countries, purchasers pay as much as 20 to 30 times a minimum international reference price for basic generic medicines, such as the heartburn treatment drug omeprazole or the common pain reliever paracetamol.
The Way Forward: Support In-Country Procurement Policy Reform

Reforms to ease barriers to effective and efficient procurement will necessarily be led by countries themselves and could be supported by global funders. Potentially, development policy lending from the World Bank could support a government-led agenda for policy and institutional change. Country-led procurement reforms should consider the following dimensions:

- **Purchasing and contracting modalities:** Legal and/or regulatory changes could facilitate use of appropriate tendering and contracting approaches, including long-term framework agreements, auctions, or joint purchasing via regional or international pooling mechanisms.

- **Procurement-related functions:** Legal and/or regulatory changes could help ensure that health technology assessment (HTA); evidence-based, budget-conscious product selection; and quality assurance are integrated within the procurement process.

- **Industrial policy and related requirements:** Changes to burdensome or problematic local purchasing requirements, including rules around cash flow and local currency for tenders, could help drive greater competition, particularly for quality-assured generics (see complementary fact sheet).

- **Product regulation:** Streamlining registration procedures for quality-assured products—potentially linking with the WHO’s Collaborative Registration Procedure (CRP) and Global Benchmarking Tool—could help ease barriers to entry (see complementary fact sheet).

For source and notes see full report. Data copyright IMS AG and its affiliates. All rights reserved. 2017.