

# District Health Commodities Procurement Guidelines



2020



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# ACRONYMS

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BHU	Basic Health Unit
DGHS	Director General Health Services
DHO	District Health Office
DHQ	District Health Quarter
EML	Essential Medicines List
GHSC-PSM	Global Health Supply Chain Program-Procurement and Supply Management
KP	Khyber Pakhtunkhwa
KPPRA	Khyber Pakhtunkhwa Public Procurement Regulatory Authority
MCC	Medicines Coordination Cell
MS	Medical Superintendent
RHC	Rural Health Center
S&RCC	Selection and Rate Contracting Committee
T&E	Technical & Evaluation
TB	Tuberculosis
THQ	Tehsil Head Quarter
TWG	Technical Working Group
USAID	U.S. Agency for International Development
WHO	World Health Organization





# ACKNOWLEDGEMENT

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The key challenge encountered by the districts is the uninterrupted and timely supply of health commodities at all levels of supply chain, most critically the last mile. Admittedly, the outcome of ensuring commodity security at the last mile could only be effectively accomplished through cascading of the fundamental supply chain functions at the district and sub-district levels.

We proudly put forward the completed version of the District Level Supply Chain Package, which was prepared after months of effort. The package containing supply chain guidelines will help the district staff to ensure best supply chain practices at the district and below levels, contributing towards improved access of health commodities to the people.

The Health Department, Government of Khyber Pakhtunkhwa is committed to improve the health and quality of life for all, particularly women, children and marginalized communities, through access to essential quality health services which are accessible, equitable, culturally acceptable, affordable, and sustainable.

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# PREFACE

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***The District Health Commodities Procurement Guidelines*** will serve as a key document for the officials working in health department at district levels, including the district health officers and staff responsible for procurement. The aim of these guidelines is to document the procurement practices that are consistent with the public procurement rules prevalent in Khyber Pakhtunkhwa and are also based on international best practices. This would allow the district level procurement system, particularly those catering to basic health services, to be streamlined. Some of these services include, but are not limited to, essential drugs, vaccines, contraceptives, antimalarial and typhoid medicines, malaria rapid diagnostic tests, and tuberculosis (TB) medicines.

## PREAMBLE

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Public procurement reforms in Khyber Pakhtunkhwa have culminated in the promulgation of the Khyber Pakhtunkhwa Public Procurement Authority Act 2012 and Khyber Pakhtunkhwa Public Procurement Rules 2014. The procurement regime in the province is governed by the principles of ensuring transparency, value for money, and accountability of the public funds utilized in the procurement of goods and services. The provincial level procurement practices have become significantly more mature but the same cannot be said for the district level which has remained a challenge. Procurement of medicines in Khyber Pakhtunkhwa is regulated through the Medicines Coordination Cell (MCC) at the provincial level. However, improvements can be made to make district procurements more systematic, epidemiologically corroborative, and efficient. These changes can optimize financial resource allocation to better respond to the procurement demands. The ensuing supply chain functions hinge on timely procurement of the commodities.

## OBJECTIVE

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The objective of these guidelines is to establish a practical reference for those responsible for making decisions with respect to the procurement of health commodities. This would ensure health commodities' availability for basic health services at the last mile, prevent suffering, and save lives in a transparent and efficient manner whilst also catering to value for money.

# STANDARD GUIDELINES

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## I. INTRODUCTION

Procurement is the process of meeting the supply requirements of an organization that spans from selection of products through payment to third party vendors for those products. Procurement provides opportunities to make practical improvements which will ensure cost effectiveness and promote product availability. Timely procurement will ensure product availability and bulk procurement will lead to cost effectiveness. The procurement of medicines at the district level is compliant with rules under Khyber Pakhtunkhwa Public Procurement Regulatory Authority (KPPRA).

## II. PRINCIPLES OF PROCUREMENT

- i. The procurement will be conducted in a fair and transparent manner.
- ii. The objective of procurement brings value for money.
- iii. The procurement process shall be efficient and economical.

## III. OBJECTIVE OF THE PROCUREMENT

<b>Quality</b>	Recognized and approved standards from a reliable source.
<b>Quantity</b>	Will be based on forecasting and needs assessment of the organization.
<b>Time</b>	Will be procured and delivered according to an established schedule.
<b>Place</b>	Will be delivered at a specified location.
<b>Price</b>	Best returns for each rupee spent in terms of quality, timeliness, reliability, after sales service, upgradeability, price, source, and a combination of whole-life cost and quality to meet the procuring agency’s requirement.

## IV. PROCUREMENT PLANNING

Procurement planning of medicines is driven by the following key objectives:

- Right product
- Right quality
- Right price
- Right quantity
- Right time

In order to achieve these objectives, procurement planning constitutes the cornerstone of the entire process. With public sector procurements enhancing accountability by virtue of taxpayers’ money, the following principles must be adhered to:

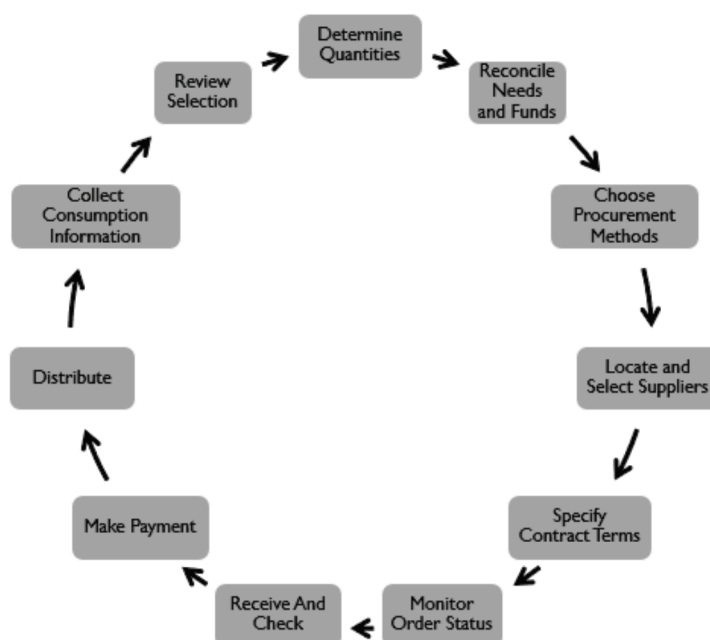
- Economy
- Efficiency
- Quality
- Equality
- Fairness
- Transparency

An effective procurement function can optimize the overall supply chain performance. The officials responsible for procurement functions need to be well versed in:

- Procurement rules prevailing in Khyber Pakhtunkhwa
- Delegation of authority
- Financial thresholds
- Departmental clearance and approval procedures and corresponding administrative time frames
- Complexity or the specificity of requirements
- Market conditions, already existing arrangements and or existing contracts (such as MCC)

It is imperative to ascertain accurate quantity estimates based on the best available data that includes, but is not limited to, demographics, morbidity, and logistics data. The health facilities operating under District Health Office (DHO), whose procurements are routed through the DHO, estimate their demand based on previous and projected consumption. There is a demand figure which is included in the procurement plans. The key consideration when planning the procurement of medicines is the budget. Currently, the district health budgetary allocations are not based on epidemiological evidence generated from different information systems. Owing to the foregoing factors, the essential medicines' availability hovers around 60% in the system as per the reports generated by Independent Monitoring Unit.

## V. STANDARD PROCUREMENT STEPS



## **V.1. GENERAL PROCUREMENT PROCESS**

A pre-requisite for sound procurement is to have a clear idea of what needs to be procured. The selection and quantification of the health commodities to be procured should be based on factors including demand, disease burden etc. The following are some essential activities of the procurement process:

### **I.1 Forecasting**

Forecasting involves estimating the quantity of health commodities needed to serve a specific community for a specified duration of time.

### **I.2 Preparing specifications**

A complete description of the characteristics—technical and physical—for the procured health commodities is required. Specifications should be generic and not include references to a brand name, reference numbers, or similar classifications. The specifications allow the relevant manufacturers to bid as per a specific generic name, potency, and dosage form.

### **I.3 Preparation of bidding and prequalification documents**

The procurement team at the provincial level is responsible to use open competitive bidding or prequalification procedures to develop bidding and pre-qualification documents. Potential bidders will then have access to these documents immediately after the publication of the invitation to bid. The essential components of the bidding and prequalification documents or invitation to bid are:

- Instructions to bidders
- Form of bid
- Form of contract
- General or special conditions
- Performance criteria
- List of health commodities and quantities (including specifications related to packaging or labeling, etc.)
- Delivery time or completion schedule
- Qualification criteria
- Bid evaluation criteria
- Format for all required securities
- Details of standards mode of payment tendering
- And any other details consistent with the rules

### **I.4 Public announcement**

A public announcement, using print and electronic media, is required to invite bids for the procurement of health commodities and associated services such as transportation, taxes, duties, inspection, laboratory testing, etc.

### **I.5 Bidding and quotation**

Bidding and quotations have separate financial limits, as specified in the KPPR-2013.

## **I.6 Opening bids**

A designated committee shall publicly open the bids in the presence of bidders, or their authorized representatives, at a time and place announced prior to bidding.

## **I.7 Technical and financial evaluation**

The evaluation of bids—both technical and financial—must be made in accordance with the criteria specified in the bidding document.

## **I.8 Contracts, purchase and supply orders**

Procurement contracts with successful bidders will be signed. Purchase and supply orders containing commodity name, quantity, approved rates, schedule of delivery, place of delivery, related terms and conditions, and mode of payment must be clearly defined.

## **I.9 Quality and quantity assurance**

Quality of each batch and lot of health commodities will be tested via approved testing laboratory. Upon quality confirmation, the bulk stock is to be issued to district stores. After receiving the consignment, each item will be physically counted, and its quality verified to ensure it meets the specified criteria.

## **I.10 Payments**

Payments will be made only to the suppliers after meeting the contract and purchase order terms, which were mutually agreed-to, and after all formalities are complete.

## **VI. APPLICABLE LAWS**

The procurement of medicines in Khyber Pakhtunkhwa is governed by the following legislations:

- KPPRA Act 2012
- KPPRA Rules 2014
- The Drug Act 1976 and the rules framed thereunder
- The General Financial Rules of Government of Khyber Pakhtunkhwa
- WHO Essential Drug List
- Khyber Pakhtunkhwa Essential Medicines List
- Government procedures to perform current good manufacturing practices (cGMP)
- Parameters for quality assurance
- ISO documents

The procurement process at DOH is decentralized and broadly comprises of:

- The establishment of annual rates lists for medicines and medical supplies by the MCC.
- Devolved procurement carried out by tertiary hospitals, vertical programs, and partially devolved procurement by district health offices, primary and secondary healthcare facilities including Basic Health Units (BHUs), Rural Health Centers (RHCs), Tehsil Headquarter (THQs) and District Headquarter DHQs.
- The raising of purchase orders for items in the rates lists - mandatory for district health offices and voluntary for tertiary hospitals and vertical programs.



## **VII. STANDARDIZATION OF PROCUREMENT LIST AND RATE CONTRACTING BY MCC**

Since product selection and standardization lies at the heart of supply chain function, MCC undertakes national competitive bidding for selection and rate contracting of drugs and medicines, surgical disposals, and non-drug items (hospital supplies) at the provincial level. The MCC contracts out the unit rates of the selected pharmaceutical products for the pre-qualified and best evaluated responsive pharmaceutical firms, then the bulk of the needed products purchased by the districts for their respective facilities. Use of these rates lists is understood to be compulsory for districts. Since the MCC rate list is very extensive, it caters to a wide range of medicine classifications required for various specialties and sub-specialties in a health system. As such, there is a need to identify a priority list of medicines which may be termed as District Priority Formulary of Medicines. This list shall be from within the same MCC list that should be available in full supply at the district health facilities catering to basic health services.

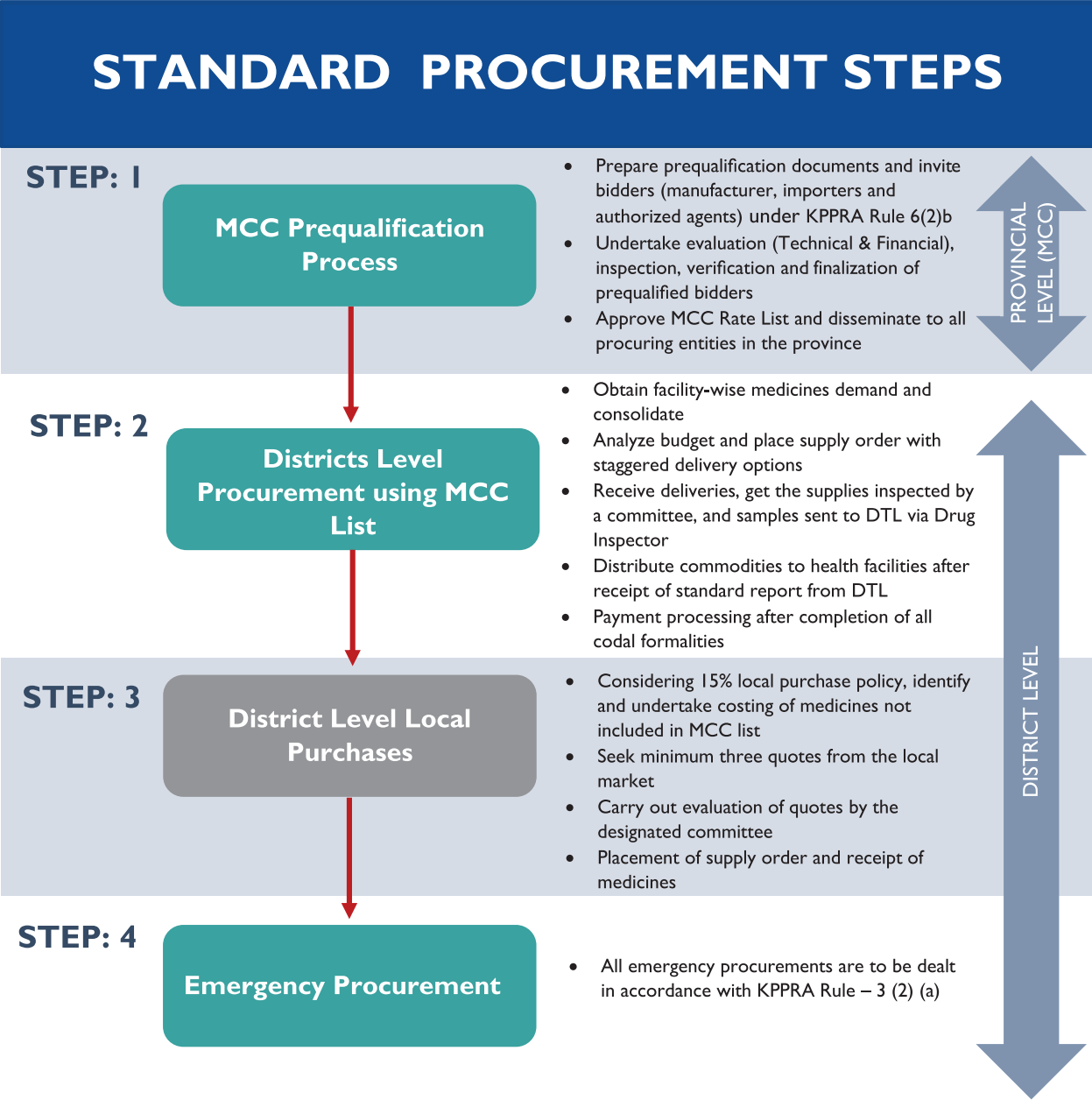
The following steps are followed by MCC before the approved list of medicines and rates is circulated to all the stakeholders in Khyber Pakhtunkhwa. The end user from the different public institutions are involved in gathering the specifications of pharmaceuticals. These specifications are then summarized by the Technical and Evaluation (T&E) Committee and get approval from the Selection and Rate Contract Committee (S&RCC) before advertisement.

- As per KPPRA rule 6 / 2B Open Competitive Bidding procedures are followed with nationwide advertisement.
- Firms, manufacturers, and importers can participate in the tender.
- Technical evaluation of the application is made by the T&E Committee of MCC based on technical documents and subsequent visits to the manufacturer and importer facilities.
- Bid evaluation report by T&E Committee is submitted to Selection and Rate Contracting Committee (S&RCC).
- Technically evaluated firms are declared as responsive firms and their financial bids are opened.
- The financial evaluation involves making a comparative statement in correlation with technical marks.
- The highest scoring bid and rate is approved by the S&RCC of the MCC headed by Director General Health Services (DGHS).
- The rates approved are for all public sector hospitals and DHOs for the whole year within the province.
- The procuring entity of the public sector institutions then places orders from this approved MCC list which has its own terms and conditions mentioned in the contract agreement established with the firm.

## VIII. PROCUREMENT BY DISTRICTS

- The district health administration will call a joint annual meeting of all relevant experts including senior doctors, Medical Superintendent (MS) of Tehsil Headquarter Hospital, Type D Hospitals, heads of regional health centers, and with representation from some doctors of the Basic Health Units and civil dispensaries. The meeting focus would be to identify medicines in view with the disease trends reported in the DHIS report and would be in accordance with the requirements of their health facilities and as per the approved list of medicines.
- The required annual demand of medicines will be analyzed and finalized by the concerned DHO and aligned with District Priority Formulary of Medicines.
- The districts will establish their annual demands (distributed on quarterly basis) on a prescribed template to be provided by DHO office.
- The DHO office will consolidate the facility-wise demand of medicine and supplies and will prepare an indicative costed plan for placement of supply orders with the approved suppliers prequalified by MCC.
- The DHO office will place supply orders with staggered and quarterly delivery options, keeping respective facility officials informed of the supply scheduled.
- An option of pre-shipment inspection should be considered to avoid duplication of efforts and wastage of resources.
- Inspection and physical verification of medicines supplied is to be done by a committee which must include the drug inspector of the relevant district as well as a hospital pharmacist nominated by the DHO (if available). Once complete, medicines will be distributed to the relevant health facility.
- The turnaround time for Drug Testing Lab (DTL) will be reduced to the bare minimum of 15 days, with efforts to electronically integrate with the District Supply Chain Management Information System.
- The payment will be made by the DHO office from their own budget upon production of the invoice along with any additional documentation needed. Penalty imposition or any other punitive action as described in the bidding documents will be the responsibility of the concerned DHO office.
- DHO will introduce a functional responsibility to undertake supplier research and supplier performance monitoring. This function could also include maintenance of the database for items procured, including the assignment of unique numbering, producing yearly statistics on quantities of the same item procured by all entities, unit prices paid, and suppliers who supplied to different entities. Initially, this information could be obtained by including a condition in the rates agreement template that successful bidders will be required to submit on a yearly basis.
- MCC at the provincial level will arrange familiarization and capacity building sessions for district staff responsible for procurement based on KPPRA rules.
- There should be an element of flexibility for the entities to procure items that are not included in the approved rates lists and any specialized items through a process of collective cooperation, collaboration, and coordination.
- There should also be flexibility to procure emergency supplies up to a pre-determined amount. Each procuring entity generally is allocated special funds under the heading “Pro Poor Special Initiative Program and Emergency Relief Package” to all public sector hospitals. From this funding, emergency drugs for different disasters and day to day emergencies can be procured separately.

# PROCUREMENT STEPS AT GLANCE









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