

Boosting affordability and availability of medicines with open contracting reform



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What's at stake

Low and middle income countries (LMICs) have made ambitious commitments to Universal Health Coverage (UHC) as part of the 2030 Sustainable Development Agenda. But these commitments come at a difficult time for the public health sector: international donors are decreasing their aid contributions, the rise in chronic disease is increasing costs and pressure, and the pandemic added unprecedented strain on these already fragile systems. As a result, rather than seeing progress towards UHC, we have actually seen [1 billion people fall behind](#).

Governments are struggling to cover the cost of providing critical medicines to every patient in need. As a result, patients are forced to pay for critical medicines out of pocket, with recent [data on financial protection](#) in health showing that medicines were the primary driver of out-of-pocket health spending across Asia, Africa and Europe, expenses that have pushed [more than half a billion people](#) into extreme poverty.

[WHO research](#) has shown that inadequate procurement is a top barrier to supplying affordable and high-quality treatment, and the medical industry is the second most prosecuted sector under the OECD Anti-Bribery Convention. Without much-needed reform, poorly-managed, inefficient and opaque procurement practices will continue to contribute to higher prices, misuse of state funds and lower quality treatment options.

The opportunity

Efficient procurement involves more than just obtaining the lowest price – it is about creating a healthy market where high-quality products are available at the right time at affordable prices and in the right quantities. In fact, it is about reconfiguring the procurement system to put patient outcomes first and deliver better value for money for governments. When market competition is low, the bidding process opaque or corrupt, or the procurement process inefficient, the ultimate cost is passed on to patients. Left without treatment or provided with low-quality and ineffective treatment, patients die or their health deteriorates, putting even more strain on the already stretched healthcare system.

With paper-based or inefficiently-designed procurement systems, governments aren't able to analyze the market and understand how funds are being spent and how this connects to public health outcomes.

Open contracting encourages transformation across the whole procurement cycle, including budget allocation, selection of medicines, registration procedures, calculation of

needs, selection of procurement mechanisms, creation of procurement lists, contracting, and supply and stock management.

This approach means governments can connect information about what is planned in the budget to how it is spent through procurement and the impact on patient outcomes. And the public can monitor health spending in a way that allows civil society and community based organizations to flag any risky or suspicious behavior. These digitized data can help to control the flow of the medicines as well as identify mismanagement and fraud. Better cost estimates built on historic data will make the process more efficient for government and potential suppliers. Disclosure of open standardized data on medicine prices enables price analysis and can be used for price negotiations.

The procurement process also needs to be open to feedback. Both civil society and suppliers must have a chance to provide feedback to make sure patients are satisfied with their treatments and suppliers don't feel discouraged by barriers to participate in tenders. This requires inclusive planning of tenders, establishing fair and independent complaint mechanisms, and supporting civil society procurement monitoring to build trust through accountability.

We know that introducing open contracting principles in the medicines procurement system improves overall value for money by bringing down prices, reducing corruption risks, boosting competition, and increasing procurement and supply management. All of this can only help make progress to the goal of universal access to treatment.

What are the challenges and bottlenecks

The challenges facing medicines procurement systems vary between country contexts, but there are eight common themes that occur across jurisdictions. Identifying which challenges exist in a procurement system and understanding its degree of impact on affordable medicines is a critical first step on any open contracting reform journey.

- **Poor understanding of the market and patient needs.** The evidence shows that [up to one fifth of health spending could be optimized](#) by avoiding overpriced products, choosing more expensive products when cheaper, equally effective alternatives are available or the products procured are not even needed.
- **Inaccurate financial management.** When fiscal and procurement cycles aren't aligned, inadequate and delayed budget allocation can lead to stock shortages.
- **Long bureaucratic registration procedures.** Difficulty getting registered as a supplier limits generics from entering the market, lowering competition. This is

particularly true for small countries or medicines needed only in small volumes that are less commercially attractive for pharmaceutical suppliers. Having a limited number of registered products in the country creates a local monopoly and enables suppliers to charge above average international prices.

- **Manual, paper-based procurement systems.** These slow, outdated systems fuel inefficiencies, distort competition and leave the system vulnerable to undue influence, corruption, waste, fraud and abuse. They also put additional administrative burden on procurement staff.
- **Poor process design.** When the tendering process is poorly designed, the number of potential bidders willing to participate decreases, resulting in higher prices and/or fewer choices for good quality medicines. Other potential process barriers can discourage new suppliers from entering the market too: technical requirements that are impossible to fulfill, unreasonably short timeframes to submit a bid, inconvenient timing of tenders or overly complicated e-platforms or document submission. Recent data from the World Bank showed that better designed tendering processes could reduce the average procurement price of pharmaceutical products as much as [12 to 15 percent](#).
- **Inefficient supply chain management.** Preventing, detecting and responding to shortages of health products is complex. The supply chain requires strong infrastructure and accurate data management systems. Inefficient supply chain management can lead to high levels of wastage, disruption of supply or may have a negative effect on the quality of supplied products.
- **Lack of market transparency.** Routine monitoring of availability, price and use of the medicines is a key enabler for building health systems that improve access to medicines. One issue here is applying confidentiality to contracting information. Confidentiality of procurement data obscures vital details from the public and hinders better decision-making, making it extremely difficult to monitor the procurement process. There's also a lack of transparency of medicine prices. Some countries publish only list prices, leaving information on actual prices after discounts locked behind closed doors, inhibiting cross-country price analysis and comparison for fair, competitive markets.
- **Limited participation of patient groups and businesses.** A lack of dialogue between governments, business and civil society including patient groups not only undermines trust, but also blocks from using patients and business experience and knowledge to improve decision-making toward a competitive, patient-centered procurement system.

Policy recommendations

Building on the experience of governments that have already embedded open contracting into their procurement practices, the following policies will help achieve better value for money in the procurement of medicines.

Optimize selection of medicines for procurement. Governments should form their procurement lists based on national treatment guidelines (protocols), essential medicines lists, reimbursement lists, insurance lists, or restrictive medicine lists. These lists should consist of high-quality, efficient treatments in line with international guidelines. Use mechanisms securing the balance between the quality and effectiveness of the medicine and value for money (e.g. HTA mechanism). And governments should engage patient experts to align procurement plans with actual experiences and needs.

Plan procured quantities based on actual needs for the forecasted period.

Governments can develop e-instruments to calculate medicine needs that account for health statistics and planned deliveries of external aid. The e-instrument for forecasting of needs can be directly connected with the e-GP system and stock-management system.

Align fiscal and procurement cycles. Governments should do this to ensure adequate and timely budget allocation for the procurement of medicines. For governments transitioning from external donor funding to self-funding medicine procurement, it's important to develop a roadmap to project covering an increasing portion of treatments in their budgets with specific milestones.

Simplify the registration procedure. Governments can open the market for more high-quality, affordable medicines by collecting supplier feedback to remove barriers to entering the market, and promote the revised procedures to attract new suppliers.

Use transparent, digitized procurement processes An e-procurement system where everyone can see plans, tender documentation, supplier proposals, concluded contracts, and the changes made to these over time enables governments, civil society and businesses to monitor the market and make informed adjustments. This information should be published as open standardized data, e.g. using the OCDS Medicines Extension.

Disclose unit prices for medicines. Governments should make unit prices publicly available using internationally recognized names of active ingredients, dosage forms and dose. Any confidentiality clauses should allow only limited public interest exemptions from disclosure. Those redactions should be evidence-based and publicly explained.

Improve supply and logistics management. Conducting cost-benefit analyses can identify the most appropriate delivery methods (e.g.. from a central warehouse to district warehouses to health facilities vs from central warehouses to health facilities). It's important to include further logistical costs of transportation between warehousing points in the government's budget too.

Develop an integrated e-stock management system. These systems can show movement between warehouses and institutions across a number of different levels, and also keep accurate stock management records.

Encourage civil-society monitoring and analysis. By actively encouraging citizen monitoring of medicine procurement data and prices through analytical dashboards and intelligence tools will improve oversight and ensure patients have a voice in decisions that affect them. This input will support governments to better allocate funds and resources.

Case studies

➔ MOLDOVA

Challenge

With the highest rates of HIV/AIDS in Europe, it was expensive for patients to buy life-saving medicines as a lack of transparency in procurement kept competition out and prices high.

Open contracting approach

In Moldova, the patient-run organization Positive Initiative has been at the forefront of efforts to make medicine procurement more efficient and competitive. Since 2018, they've become a trusted partner for authorities, working with open-minded public health experts on a series of procurement reforms that have driven down the cost of drugs and freed up funds for other critical care activities. Positive Initiative has worked with the government medicine procurement agency (CAPCS) to improve the procurement process from planning, to needs assessment, and delivery. When the COVID-19 pandemic hit, this partnership between civil society and government put Moldova in a better position to purchase items efficiently and monitor in real-time how emergency funds were spent. MTender now generates open contracting data that powers a range of user-friendly digital tools for tracking the procurement, roll-out and availability of medical supplies.

Results

18% savings on medical procurement transactions worth about \$31 million completed via open contracting system MTender	Share of generics for HIV budget increased from 41% to over 90%
95% savings on antiretroviral drug Emtricitabine / Tenofovir disoproxil when switching to a low-cost alternative dose	Share of generics for hepatitis budget is 58% up from 0%
19% savings on HIV medicine budget	2.35 average bidders on medical procurement transactions completed via open contracting system MTender
Real-time public monitoring of \$40 million in medical procurement and COVID-19 contracts	Real-time drug supply and service delivery monitoring platform promotes public accountability
Average time between tender announcement and contract signing reduced by two months	Civic monitoring coalition of 30 organizations

➔ CHILE

Challenge

Uncompetitive practices and vested interests in medicine procurement had long restricted patients' access to affordable treatment.

Open contracting approach

A community of civic actors used open data as evidence to advocate for change, and a new law was introduced that allowed the country's biggest medicine buyer to deal directly with private pharmacies and cap retail prices. This slashed the agency's drug spending and saved the government over \$9 million in the first year. Savings are now directly passed on to citizens. The country's procurement agency ChileCompra has worked with civil society organizations including Observatorio Fiscal, Chile Transparente, and others to boost transparency and red flag monitoring and integrity in public

expenditure. The government is expanding reforms to build back better from the pandemic and will be investing \$8 billion into public infrastructure.

Results

7% reduction in average price of medicines compared with the previous period	60% of medicines purchased at up to 80% cheaper
31% of the medicines increased the number of tenderers	Total savings of 6.6 billion Chilean Pesos (approx US\$9 million)
62% of the procurement procedures are open comparing with 46% open procedures in 2018	17 of the 60 suppliers had not been awarded contracts in the previous period

Conclusion

Strong public procurement systems are critical to providing universal health care and access to critical medicines. Done well, governments can maximize value for money and reach as many patients in need as possible. But done poorly, fraud, waste and mismanagement result in real human costs.

It's crucial that international donors invest in national government capacity and provide technical assistance to build efficient healthcare procurement systems that are resilient to health crises and can adapt to the demands of universal health coverage.

Embedding open contracting reforms in medicine procurement systems can help governments reach those goals. Transformational medicines procurement reforms need to consider the whole cycle of procurement and associated supply chain. With open contracting and medicines price data and the digital tools built around it, governments will make more informed decisions when purchasing health products, negotiate more affordable prices and expand access to health products for their populations. Civil society monitoring will reduce the risk of mismanagement and collusion, and build trust across all stakeholders. Done well, open contracting reforms for medicines procurement can maximize public health budgets and increase the number of patients benefiting from them.

About Open Contracting Partnership

The Open Contracting Partnership is a silo-busting collaboration across governments, businesses, civil society, and technologists to open up and transform government contracting worldwide. We bring open data and open government together to ensure public money is spent openly, fairly, and effectively. We focus on public contracts as they are the single biggest item of spending by most governments. They are a government's number one corruption risk and they are vital to ensuring citizens get the services that they deserve. Spun out of the World Bank in 2015, the Open Contracting Partnership is now an independent not-for-profit working in over 50 countries. We drive massively improved value for money, public integrity, and service delivery by shifting public contracting from closed processes and masses of paperwork to digital services that are fair, efficient, and 'open-by-design'.

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