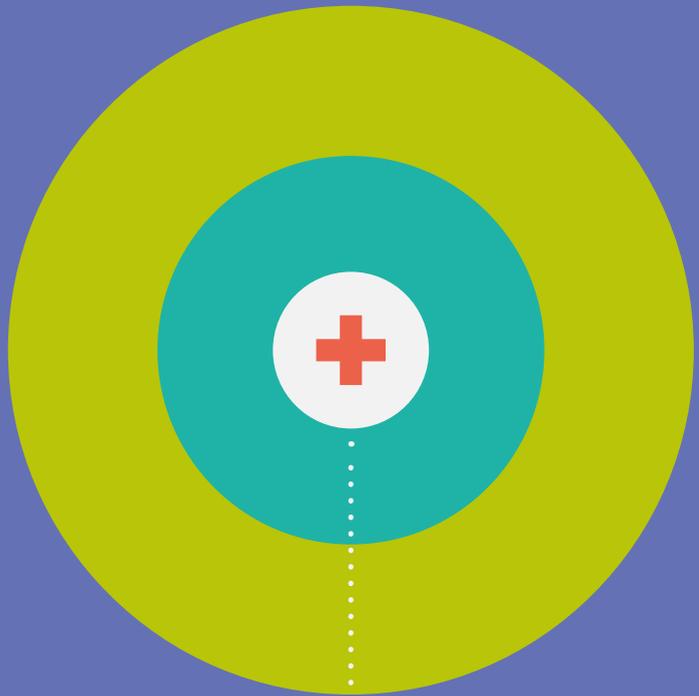


# Open Contracting for Medicines

A guide to reforming medicines  
procurement for better value  
and better patient outcomes



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**PARTNERSHIP**

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# Table of contents

## *Introduction:*

*Medicines procurement matters* ..... 06

*How to use this guide* ..... 08

**1.** Regularly review and optimize procurement list of medicines ..... 10

**2.** Provide accurate needs quantification to maintain reliable supply ..... 14

**3.** Secure timely & reliable financing ..... 18

**4.** Eliminate regulatory barriers precluding suppliers from entering the market ..... 22

**5.** Regularly review the best national procurement approach to secure competitive, timely and efficient procurement ..... 26

**6.** Set precise, but unrestrictive, technical specifications for procurements ..... 30

**7.** Use transparent, digitized procurement processes ..... 34

**8.** Disclose unit prices for medicines ..... 38

**9.** Reform supply chains ..... 44

**10.** Encourage civil-society monitoring and analysis ..... 48

*Useful resources* ..... 52

# Medicines procurement matters

**A key requirement to achieve the United Nation's Sustainable Development Goal 3.8 - Universal Health Coverage (UHC) - is to significantly increase value for money in the procurement of medicines and medical equipment, which may be up to 30% of overall health budgets.**

At the same time, four of the ten leading causes of inefficiency in the health sector are procurement-related, according to the World Health Organization (WHO).

Healthcare procurement is often poorly done, involving lots of paperwork and very little competition, market intelligence or effective planning. The market is dominated by huge asymmetries of information; governments are far too often price-takers rather than price-makers. In low- and middle-income countries, prices for basic generic medicines can far exceed prices in high-income countries.

As a recent analysis by the Centre for Global Development shows, the so-called 'triple transition' will put even more pressure on health procurement in low- and middle-income countries. This involves a transition:

- 1) from donor funding that finances and/or manages procurement directly to domestic budgets and procurement systems;
- 2) from treating infectious diseases to non-communicable diseases, such as cardiovascular disease, cancer, and diabetes; and
- 3) moving toward UHC and away from disease-specific programs and out-of-pocket spending.

And, of course, there are profound challenges with governance and corruption in the health sector. This was exacerbated by the COVID-19 pandemic, which has added unprecedented strain on already fragile systems. According to the WHO, rather than seeing progress towards UHC, we have actually witnessed 1 billion people fall behind.

Fortunately there is hope. This quickstart guide shares a number of tested strategies that can help every government improve its procurement practices across the full cycle of procurement: from quantifying needs, to identifying suppliers, to managing the tender and bidding process, to ensuring quality medicines, and monitoring the performance of contracts.

# How to use this guide

## The core audience for this guide is medicines procurement reformers in low- or middle-income countries.

We seek to offer you step-by-step recommendations on how to build a better procurement and supply management system, offering both technical recommendations and country case studies. Civil society organizations (CSOs), especially patient advocacy groups and supportive donor organizations, will also find the recommendations of interest.

Individual country circumstances will differ, so we have tried to focus on the key principles while recognizing that any solution will need to be tailored for the challenges and needs of each context.



Although the procurement needs in the health sector are huge, such as infrastructure investment for which [we have best practice guidance that you can find here](#), this guide is focused on the procurement of medicines including therapeutics and vaccines as one of the main drivers of overall costs and patient outcomes.

For more general procurement systems reform, you can read our [Open Contracting Quickstart Guide](#).

Throughout the rest of this guide, we highlight ten practical strategies covering the core aspects of medicines procurement reform related to planning, regulatory background, procurement procedures, delivery process and procurement monitoring.

For each, we explain the core strategy, why it matters, how it can be implemented, and include a good practice example with references and links for you to read more.

## I. Regularly review and optimize procurement list of medicines

### What

Develop a procurement list of medicines based on the national essential medicines list (EML) and national treatment guidelines reviewed and optimized by the healthcare experts

### Why

An EML covers medicines that cost-efficiently, safely and effectively satisfy the priority health care needs of a population. They are intended to be available at all times, in the appropriate dosages, be of assured quality, and at prices individuals and health systems can afford.

Bringing these products together into an essential list allows for mass procurement pre-planning, and for economies of scale to reduce overall prices, thereby allowing for their widespread use across national health systems.

Providing a more concentrated list of medicines for each clinical problem also simplifies their supply management. This is especially helpful for countries with smaller markets where too many procurement options for small volumes of medicines may result in a lack of tender proposals or higher prices.

Of course, it is important that the list of essential medicines reflects the latest therapeutic and other advances. Formulations constantly change as do clinical practices. So it is important for healthcare experts and officials to regularly review and optimize the list of essential medicines with these factors in mind, ideally on an annual basis.



### How

- Review the EML and national treatment guidelines, which serve as the basis for public procurement and ensure that they consist of quality and efficient medicines that meet international treatment guidelines, such as those from the WHO.
- Compare your national EML with the WHO's own, regularly updated, model list of essential medicines.
- The review process itself should be carefully structured to look at both clinical efficiency and the cost of treatment options to ensure a reasonable balance between them. A mechanism like the WHO's Health Technology Assessment mechanism will help.
- Set out an official procedure for creating the procurement list with clearly defined terms for submitting proposals, for example defining the procedure terms, specifying the list of required documents, and

## I.

establishing an independent review committee. Make sure there is a clear, publicly-articulated justification for the decision to include or exclude medicines from the list.

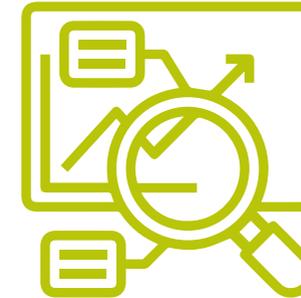
- Engage healthcare professionals and patient experts (assuming a clear screening for any related conflicts of interest), in the process of determining the medicine procurement list. This sounds obvious but is very important!

### Example

India has maintained an EML since 1996. The EML is scheduled to undergo review every three years, although the most recent review released in 2022 was delayed considerably due to the COVID-19 pandemic. Compared to the previous EML from 2015, the 2022 edition contains 384 medicines; 34 new medicines were introduced and 26 from the previous list were removed.

There are many reasons that products may be removed including, being banned for having concerning safety profiles or other products were found to have greater efficacy, a more favorable safety profile or were found to be more cost-effective. Products for conditions that are no longer a national health concern or that are found to have developed resistance are also removed.

Regarding how the EML influences prices, medicines included on the list are typically sold below a fixed price that is set by the Indian National Pharmaceutical Pricing Authority.



Increases in prices for so-called “scheduled” medicines (under price control) are linked to wholesale price index-based inflation.

For non-scheduled medicines (not under price control), companies can increase their prices by up to 10% each year.

There are around 376 medicines under price control. As part of the most recent EML review, a standing committee was asked to prepare a list of medicines that must be adequately available at lower prices regardless whether they are

traditionally scheduled or non-scheduled, and regardless of the dosage or form for medicines with the same activity. This review prompted the prices of several medicines, including many new therapies for conditions like cancer and diabetes, are set to decrease.

## 2. Provide accurate needs quantification to maintain reliable supply

### What

Accurate quantification is essential for the government to set aside the right budget for purchasing medicines and to minimize the risk of supply chain disruption (stockouts) or waste from duplication or over-purchase of supplies.

### Why

Stockouts are dangerous for patients, especially those with chronic diseases such as HIV, tuberculosis, hepatitis C, cancer, diabetes, and so on, as they interrupt patient treatment, lead to drug resistance and increase mortality rates.

Supply shortages also result in rushed procurement procedures and above average prices. Overstocking is also wasteful as the money can be used elsewhere and it puts additional burden on healthcare providers as they may feel obliged to use the medicines before their expiry date.

### How

- Actively forecast demands and stock levels across the health system. Forecasting should be based on existing consumption rates adjusted by known or expected changes in morbidity patterns, changes in treatment guidelines or changes to prescribing patterns.



Photo credit: USAID (CC BY-NC 2.0)

- You can calculate stock levels against need by considering stocks of drugs at the beginning of the period and procured amounts in the period from national and international provision during the period. You should also maintain buffer stocks for some critical chronic illnesses for an additional six months.
- Ideally, this should all be digitized, covering both needs and stocks in an e-health system, if available (also taking account for changes in public health statistics), and connecting to e-government procurement (e-GP) and stock-management systems.
- In those countries where multi-year budget planning is used, it is critical to ensure needs forecasting is also carried out on a multi-year basis that aligns with budget planning cycles (at the very least for all essential medicines included in state programs).

## 2.

### Example

Poor quality and inaccurate collection of data on medicines consumption and demand was a major challenge in Zimbabwe. In 2013, weak planning contributed to a situation where 50% of medicines were out of stock.

To address this, the Ministry of Health and Child Care, with the support of USAID developed an e-logistics management system, linking in to the central medical stores which are responsible for stocks. As a result, the Ministry got better information on what medicines were being used, and what current stock levels were.

This helped them plan future procurements better. Training on logistics management systems for relevant practitioners also contributed to a significant improvement in quality and completeness of data used for assessment.



### 3. Secure timely & reliable financing

#### What

As well as estimating needs, you need to make sure there are sufficient resources available to meet those needs in a timely manner. This can be done by considering previous procurement pricing data, market dynamics (for example, products going off patent) and current international reference prices.

Funding sources should be coordinated by the Ministry of Health and reserved and disbursed in a timely manner to ensure that economies of scale can be achieved through public procurement.

#### Why

Delays in financing can severely disrupt orderly medicines procurement, especially if demand or supply changes quickly.

Financing arrangements should be secured well in advance of planned procurements to avoid product stockouts, minimize the use of costly emergency purchasing and prevent unnecessary disruptions in patient care.

This is particularly significant for countries moving from donor-financed medicines programs with external procurement to domestically run and procured medicines provision.



#### How

- Align fiscal and procurement cycles, ensuring adequate and timely budget allocation for the procurement of medicines.
- Base calculations on assessed needs and planning, using previous procurement pricing data and current international reference prices for the quantities required.
- For countries in transition from external funding to state funding, develop a road map for increasing coverage in treatment using state funds, with specific milestones to ensure smooth implementation. If moving to decentralized procurement, nonetheless ensure centralized coordination of financial management.

### 3.

#### Example

Estonia has recorded data on pharmaceutical expenditure and utilization since 2003 and has been using a digital system since 2010. With this data, short-term expenditure projections are made and compared to the proposed annual budget. Comparisons of the real vs. forecasted expenditure are also carried out each quarter with both being made publicly available.

The country's state health insurance fund covers nearly three quarters of all out-patient medicines and 100% of inpatient medicines. External reference prices are used for price negotiations of all medicines that are publicly reimbursed.

In an effort to control overall spending on pharmaceuticals, a dedicated, annual budget is determined at the central level in accordance with national health priorities. The budget is prepared by the Ministries of Health and Finance and healthcare payers.

The Board of the Estonian Health Insurance Fund makes the final budget decision. Furthermore, the National Parliament sets an annual expenditure cap for out-patient medicines which should not be more than 20% of total health service benefits.



## 4. Eliminate regulatory barriers precluding suppliers from entering the market

### What

Adopt coherent general and expedited registration procedures to decrease barriers for new suppliers and transaction costs for all suppliers, particularly if you want to increase competition among quality-assured generic medicines suppliers.

### Why

In general, medicine prices decrease with an increase in competition and with more suppliers participating in a tender, especially if you can avoid single bid tenders. Suppliers naturally hesitate to enter markets with slow, complex and opaque registration procedures.

Although registration procedures across countries are generally pretty similar, national registration authorities do not take advantage of prior reviews by external regulatory authorities, which forces suppliers to collect and submit massive registration dossiers several times raising transaction costs for everyone. From a supplier's perspective, these factors lead to higher costs of doing business.

This means that they have more costs to recover and subsequently set higher prices. If procedures are opaque and burdensome, especially in a small market, suppliers may avoid participating in procurements altogether.



Long, corrupted and burdensome registration procedures result in a limited number of available generic providers competing for contracts, which leads to higher levels of market concentration and overpricing.

### How

- Ensure streamlined and simplified registration procedures. Provide clear steps, cut out any unnecessary red tape and duplication, and make sure that time periods for application review are defined, that the flow of information across the responsible authorities is clear, templates are coherent and that a transparent process is evident.
- Introduce a simplified (expedited) registration procedure for quality-assured medicines, for instance for medicines prequalified by the WHO, European Medicines Agency (EMA) or other stringent regulatory authorities (SRA). Expedited registration procedures should allow for a shortened list of documents, a set template for applications,

## 4.

a shortened term for application review and clear registration flow. Products that are expedited should be allowed in international packaging and with their leaflets translated into the national language.

- In addition, you could allow for quality-assured but unregistered products, which are prequalified by the WHO, EMA or countries with SRA etc, to pre-compete for public tenders under an expedited registration process.
- Identify specific cases when registration is not mandatory, for example for procurement in crisis, humanitarian aid (with clear training for relevant staff on what such circumstances are, and what their roles/responsibilities in such cases will be).

### Example

In recent years, the WHO has set up the Collaborative Registration Procedure (CRP) to strengthen national capacity in medicine registration and increase the availability of quality-assured medicines.

Under the CRP, the WHO shares confidential prequalification assessment reports (product dossier assessment report, performance evaluation report, and manufacturing site(s) inspection report) with national medicines regulatory bodies.

National bodies agree to use the WHO's product assessment data instead of conducting primary assessment based on a country-specific dossier; in turn, the regulatory bodies agree to make their registration decision within 90 days and share it with the WHO within the next 30 days.



Fifty seven countries (mostly from Asia and sub-Saharan Africa) were participating in the CRP for prequalified products.

Forty-six of those countries, mostly from sub-Saharan Africa, also had enrolled in a project to expand the CRP to products approved by a SRA.

Under this procedure the registration decision also has to be made within 90 days.

According to the reports provided by national medicines regulatory bodies, the regulatory time reduced by about 40% when compared to their fastest national procedures.

## 5. Regularly review the best national procurement approach to secure competitive, timely and efficient procurement

### What

Authorities should regularly critically assess their available human resources and technical capacity to run medicines procurement and seek to optimize their approach. They should analyze the benefits and costs of running their own procedures against using an external procurement agent or end-to-end supply chain agent as a service provider.

Pooled or other forms of cooperative purchasing across countries may be an appropriate strategy to address fragmented demand or high transaction costs in low-volume or restricted product markets. Pooling can also just cover “strategic” products or essential medicines, or could cover the entire portfolio of health product needs.

Other forms of collaborative procurement approaches could include globally or regionally negotiated price agreements accessible to multiple procurers.

### Why

Capacity to manage the procurement process varies among and within countries. Agencies should examine alternative approaches to meet their short- and medium-term needs even as they try to build long-term, sustainable capacity.



The use of private third party suppliers, UN agencies, and international NGOs has expanded in countries where public sector management capacity is limited. In these circumstances, engaging a third party agent can be more cost-effective and efficient, especially if that third party agent is able to access economies of scale itself (like the Global Fund).

When using third party agents, it is still important to oversee the process carefully to ensure contract compliance and acceptable performance.

Medicines procurement in highly decentralized environments has proved particularly challenging due to fragmentation and a lack of scale, resulting in significantly higher prices, potential product quality issues, vested interests and erratic provisioning. These can be partly mitigated if a centralized e-GP system is still used.

## 5.

### How

- Establish an independent state procurement agency to procure medicines using state funds and ensure that the agency has all necessary tools and resources to conduct procurements timely, efficiently and transparently.
- Use a transparent e-procurement system to make the documents and data across the procurement cycle widely accessible and to power business intelligence analysis (see item 7 for more details). In case of decentralized procurements, make using the e-GP system mandatory.
- Provide the state procurement agency with legal grounds to contract third parties for additional procurement and supply functions, for example, customs clearance and logistics.
- In case of procurement by international organizations ensure that their internal procurement policies comply with national regulations, for instance, around prepayment, the national medicines register and with product formulation, dose and packaging. International procurements should be considered a temporary measure while you strengthen your national procurement system and management.
- Review the option to engage the state procurement agency to manage decentralized procurements to ensure better prices.
- To reduce prices, review the possibility of purchasing medicines directly from manufacturers. See Recommendation 8 for ideas on how to build logistics and supply.



### Example

In 2019, the Chinese government introduced a “4+7” medicine procurement reform pilot that introduced pooled, volume-based purchasing by four municipalities and seven cities.

Pooled procurement helped to reduce prices by 52 percent on average and in some cases, up to 96 percent.

To ensure sustainability of the reform and promote better use of medicines, the national government changed the prescription behaviors of doctors by requiring them to use generics, which further improved competition and pricing.

The estimated savings from the pilot reform for 25 generics could be as much as US\$850 million if expanded to other cities.

## 6. Set precise, but unrestrictive, technical specifications for procurements

### What

After products are selected, detailed product specifications should be developed by staff with specialized knowledge and pharmaceutical expertise, in coordination with any required logistics or procurement specialists.

Technical experts should be involved throughout the process to ensure that all product details are developed correctly. Technical specifications must be developed in a way that permits the widest possible competition.

This means you should not artificially narrow the number of potential bidders by, for example, listing unnecessary requirements that only one supplier could fulfill (such as a particular dosage and/or form when other therapeutic equivalents are present in the market), require a specific number of products in a package if it is not justified in clinical requirements, or requesting that suppliers be registered under a specific procedure if it is not based on clinical requirements, etc.

### Why

Developing the correct specifications to ensure competition is an art. A set of precise and clear specifications is a prerequisite for bidders to respond realistically and competitively to the purchaser requirements.



Photo credit: Positive Initiative, Moldova

You want to be precise without restricting competition or excluding cheaper generics that could meet patients' needs equally well as expensive, branded formulations.

Preparation of tender documents requires a detailed knowledge of and compliance with procurement procedures, including product specifications, use of brand and generic equivalents, pricing, currency, transport, storage and insurance, as well as any terms of method payment or bid securities.

### How

- Avoid restrictive specifications, for example specific dosage, forms, trade names that favor specific suppliers.
- Avoid, where relevant, conditions that favor local manufacturers as this could lead to significant increases in prices or receiving medicines of poor quality (embed reasonable justification for the said policy).

## 6.

- Include the following issues in the specifications: ① the generic version of the product name to ensure that a wide range of suppliers can compete; ② size, units, quantity, and intended use; ③ product properties, such as stability, shelf life, and storage temperature; ④ packaging, packing, and marking, including dosage size, dose package, labeling, and printed materials; ⑤ regulatory requirements; and ⑥ applicable standards and required certifications.
- Ensure a review of the draft technical documentation by an independent committee consisting of various stakeholder groups, for instance health officials, patient groups, medical professionals and other civic actors.
- Make the call for proposals widely available, including publishing technical documentation in your e-GP system.

### Example

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 the government medicine procurement agency (CAPCS) on a series of procurement reforms that have driven down the cost of drugs and freed up funds for other critical care activities.

Their analysis of prices showed that one expensive medicine, Emtricitabine/Tenofovir disoproxil with a dosage of 200 mg/245 mg had four manufacturers, yet Moldova only received an offer from one of them in its tendering.

The drug was also available at another dosage of 200 mg/300 mg that has the same effect and which is produced by as many as 12 generic manufacturers, most of whose products are approved by the WHO or the US Food and Drug Administration.

Positive Initiative worked with CAPCS to amend the terms of reference to add the equivalent dosage of Emtricitabine/Tenofovir disoproxil 200 mg/300 mg and announced the tender again, following up with actively requesting proposals from nine potential suppliers of generics. The second time around, the best offer was almost 20 times lower than the initial one, from US\$528,000 to just US\$26,700!

As a result of their collaboration, there is now a centralized stock management system, legislation to improve procurement policies and close loopholes, and cheaper generic replacements for brand-name drugs have reduced costs. Between January and October 2021, Positive Initiative encouraged CAPCS to use the country's new centralized MTender e-GP system. The procurement agency successfully completed over 1,470 procurement lots for almost US\$31 million via the system, with average savings of 18% compared to the planned value.

There were overall savings of 19% on the 2020 procurement budget for HIV treatment, while the share of expensive brand name products dropped from 58% to 3%. 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.

## 7. Use transparent, digitized procurement processes

### What

An e-procurement system where everyone can see procurement 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.

Such systems should collect and share information on standardized, machine-readable open data and documentation covering planning and tender documentation, supplier proposals and implemented contracts. They should be used to power business intelligence dashboards to monitor contracting (including red flags) in real time.

Tools such as the [Open Contracting Data Standard's Medicines Extension](#) can help provide a schema to structure and analyze this information.

### Why

Management of the contracting process should be (and be seen to be) transparent and fair to encourage competition and trust in the procurement process. This will also attract quality suppliers.

When the tender processes and decisions are opaque, suppliers may feel that they have little chance of winning and are unlikely to take the time and effort to respond to a tender, especially if there are more attractive opportunities elsewhere. Decreased competition also means increased prices, especially for single bid contacts.

### How

- Establish transparent procedures and award criteria for contracts that include clear boundaries for both price and quality of products.
- Openly share information on upcoming planning and purchasing and likewise share those plans widely once determined.
- Regularly review procurement processes to ensure they are user-friendly and accessible, ideally using a transparent, digital e-GP system.
- Publish open, standardized, real-time data and documents at all stages of the contracting process, for instance using the [Open Contracting Data Standard](#).
- Use software tools and procurement data analysis, from automated risk monitoring to alerting businesses to upcoming tenders, to provide better business intelligence to the market, from automated risk monitoring to alerting businesses to upcoming tenders.
- Introduce an efficient and effective monitoring and complaints mechanism for civil servants, unsuccessful bidders, and citizens to raise concerns.

## 7.

### Example

Following the Maidan Revolution in 2014, Ukraine created a transparent, open source e-procurement system called Prozorro, which enabled government agencies to conduct competitive and transparent procurements.

Prozorro uses the Open Contracting Data Standard format that makes contracting information easily accessible online for anyone to see, access, and use.

Initially conceived as a tool for fighting corruption, the benefits of the system are much broader — increasing competition, reducing the time and money spent on contracting processes, helping buyers make better decisions and making procurement fairer for suppliers.

Collectively, the reforms decreased corruption and increased competition, saving US\$6 billion of state funds. Ukraine's medical procurement agency also used procurement data for better planning, supplier engagement, civic monitoring, and strategic communications, with medicine prices reducing by up to 40%.

One of the developed digital tools helped hospitals predict demand on over 100 critical items during the pandemic.



## 8. Disclose unit prices for medicines

### What

Governments should make unit prices (per tablet, capsule, etc.) 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. Redactions should be evidence-based and publicly explained.

### Why

Disclosure and analysis of unit prices helps to determine actual price and flag any overpricing. Publication of total cost of procurement accompanied by the number of products does not give enough information to define what was paid for the specific product. For instance, inflated prices could be set for just a couple of medicines in the basket.

In order to identify which one is inflated, you need to dig into procurement specifications or additional agreements. At the same time, the ability to see the most frequently paid (median price) and best prices for a certain product can help procuring entities to correctly determine the expected purchase amount, find the best suppliers and manage funds efficiently. Availability of unit price is not enough for meaningful analysis as it also needs to be standardized for the purpose of comparison.

Unit prices can be also useful for inter-country analysis of procurement prices. Although governments publish medicines prices for the purpose of reimbursement and price regulation, primarily they disclose the



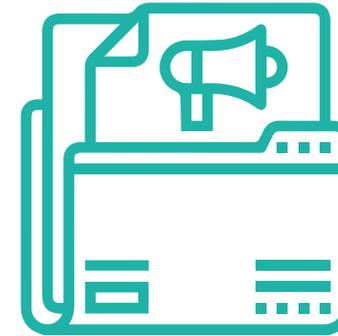
official list prices that do not reflect the real prices. If transparent and published openly, unit prices illustrate the actual price for the same product of identical dosage in different countries, which in turn provides governments with rationale to negotiate lower prices. Confidentiality of prices undermines the negotiating power of countries with smaller markets, and results in higher prices and more limited access to medicines compared to countries with the market power to demand discounts.

There is growing global concern for the increasing usage and impact of Managed Entry Agreements with confidentiality clauses for prices. This type of contract is used for high-priced, innovative medicines with uncertain effectiveness that usually have only one supplier but are of vital importance for some patients. Considering the high costs of these medicines, lack of any alternatives and absence of data for price comparison, countries are forced to pay prices that are unilaterally set by the supplier or refuse to buy due to a lack of funds.

## 8.

### How

- Develop a publicly-available repository of medicines price data, including unit prices, internationally recognized names of active ingredients, dosage forms and dose, unit quantity, indicating whether it is priced with VAT, name of the supplier, name of the purchaser and purchaser data. Be sure you use it under an open license so that others can make use of it. If using an e-GP, it is important to integrate price data and its disclosure into the system.
- Publicly disclose information where Managed Entry Agreements are used to bring transparency to how real prices differ from the officially published ones.
- Set a standard for medicine unit price disclosure and review the quality of your data regularly to ensure that it can be reliably used to identify the supplier with the best offers in the market and predict expected procurement costs.
- Use software tools and price data analysis to monitor unit prices, calculate the most frequently used prices (median prices), identify how much each country buyer spent and for what, in order to identify price abnormalities, such as inflated prices.
- Adopt a red flags approach to highlight deviations from the median price to be further investigated by financial and procurement control authorities and/or by public activists and investigative journalists. Collaborate with authorities from other countries of similar income level to share price information and practice joint price negotiations.



- Establish a clear public interest test under procurement legislation to address concerns around commercial secrecy and confidentiality that weighs whether the public interest in open and competitive procurement markets are better served by publishing a certain piece of information or not.

If information is withheld under the test, a clear public explanation of how the public interest has been served should be made and a specific timeline should be set for how long any redacted information will be kept confidential.

For more information, see the Center for Global Development's [Principles of Commercial Transparency in Public Contracts](#).

## 8.

### Example

In response to having some of the highest pharmaceutical prices in all of Latin America, Colombia passed the National Pharmaceutical Policy in 2012, which detailed a ten-year strategic plan that included concentrated efforts to develop instruments for drug price regulation.

Under the policy, an external price referencing (ERP) system for select therapeutic groups was introduced in 2013. This meant that the prices of these medicines could not be higher than that of the 25th percentile in 17 reference countries where the product was already in the market. Within the first year, there was a 41% reduction in price for those products included in the ERP scheme.

As a complement, the Medicines Price Thermometer, established in 2014, provided a separate public-facing, online resource that linked citizens to medicines sale price data comparisons and ranked the costs of a given medicine (both generic and branded) from different providers.

The Thermometer uses a red, amber, green system with green being the cheapest. The prices presented by the Thermometer were indicative but nevertheless allowed patients to see the names and prices of available products providing them with a benchmark for consumer prices.

### Reference

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Photo credit: Inter-American Development Bank



## 9. Reform supply chains

### What

Even if your procurement system is excellent, your logistics and supply arrangements must ensure timely delivery of appropriate quantities to health facilities where the products are needed. Distribution data at all levels (central warehouse, regional warehouse, service delivery points), stock-on-hand, and consumption should be recorded. And of course, distribution flow and any bottlenecks or supply challenges need to be coordinated as part of your procurement planning too.

### Why

Lack of functioning logistics and stock management or data about stock and distribution are a key cause of program failure. Data on product stock and consumption are vital to plan for adequate supplies at the point-of-need.

A stock management information system should track the status of each order and compile the information required for supplier monitoring. This data should also be integrated with your procurement and planning information to facilitate tracking and reporting on performance of suppliers and the health system.

### How

- Develop an integrated e-stock management system that shows movement of medicines between warehouses and health facilities of different levels, and also keeps management records of stock to monitor availability and consumption.

- Use cost-benefit analyses to identify the most cost-effective delivery methods (e.g. from a central warehouse to district warehouses to health facilities vs from central warehouses to health facilities). It is important to also include further costs of transportation between warehousing points in the overall budget.
- Consider buying direct from the manufacturer and then using open and competitive tendering procedures to select a third party logistics provider for delivery for the best contractual terms with regard to fees, place of delivery and product safety.
- Conduct analysis for alternative delivery options to find the mechanism(s) with the best balance between cost and timeliness, for instance delivery of medicines by postal services directly to patients could lower the logistics prices, be more convenient for patients and increase the availability of products if traditional delivery options are poorly managed.
- Develop and adhere to a fixed delivery schedule and share it with health facilities well ahead of deliveries to ensure that all facilities know when to submit their orders and when deliveries will be carried out.

## Example

Introduction of the electronic logistics management information system (eLMIS) in Zambia shows how improvements in data transparency on the availability of health commodities resulted in reduced medicines waste.

The eLMIS is a nationwide health supply chain management system that serves different health programs and incorporates all levels of the public health sector supply chain from Zambia's central medical warehouse to each of the country's over 2,000 pharmacy stores and health facilities. The eLMIS is interoperable with the SmartCare Electronic Medical Record systems (the national Electronic Health Record).

With eLMIS, district and provincial supervisors who approve commodity orders can access real-time information on consumption and stock availability, which enables them to make informed decisions about the quantities they need for their patients.

With automated calculations and data checks, errors are eliminated or significantly reduced. With electronic reports, automated approval workflows, and email/SMS notifications to the next reviewer, processing times are significantly faster where previously issues, such as unreliable transportation and manual processes, caused delays.

Photo credit: Riccardo Gangale/VectorWorks, Courtesy of Photoshare



## 10. Encourage civil-society monitoring and analysis

### What

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 also support governments to better allocate funds and resources to achieve better value for money and uphold the public interest.

### Why

Engaging CSOs into procurement monitoring brings added value to both government and society. Feedback and evidence obtained from CSOs help governments to make more informed policy decisions and increase the quality of services that patients receive. For governments, continual partnership with CSOs, and action of their recommendations, can increase trust in how the health budget is being spent.

Patients Groups especially have a powerful interest in understanding delivery of their medicines, scrutinizing procurement data and in promoting better procurement As examples from the COVID-19 pandemic show, civil society is a powerful force that can hold officials accountable in cases of fraud, corruption or financial mismanagement. It can also push the government to reform aspects of the procurement system that are simply not working.

In some countries, analytical tools and dashboards first developed by citizen monitors, once proven efficient, were integrated in the state procurement infrastructure.



Photo credit: La Nación Data, Argentina

### How

- Make procurement and price data available for citizens by publishing it under open license in a timely manner in one place.
- Organize a joint working group or committee where civil activists regularly share findings from monitoring with procurement and health officials. It is crucial to ensure amicable relationships. The main objective of such meetings is not solely to criticize and demand changes, but to propose possible solutions.
- Create feedback mechanisms and regularly request feedback to know what civic actors think about state procurement approaches and procedures.

## 10. Example

Since 2018, Chile's procurement agency ChileCompra has begun to publish accessible and standardized open data across the entire flow of the country's procurement planning and delivery using the Open Contracting Data Standard.

Understanding the need to increase the use of the data and scrutiny of the enormous public marketplace, ChileCompra created a civil society council to work with several civil society organizations, including a working group focused on discussing open data.

This reform opened the way for CSOs such as Fundación Observatorio Fiscal (FOF) to review public procurement and detect direct awards given without competition. The analysis of health spending published by the FOF revealed that more than half of the purchases in 2018 were made via direct awards and that the number of suppliers dropped between 2017 and 2018, leading to an increase in medicine prices.

These findings were later confirmed by the National Economic Prosecutor's Office highlighting that procurement reforms could save the Chilean government between US\$ 290 and 855 million per year.

Empowered by quality procurement data, civil society actors also identified conflicts of interest and dubious deals in the health sector, which resulted in the resignation of public officials.

Country-wide protests triggered by the results of the civil society monitoring pushed the government to issue a law empowering one of the biggest medicines procurers CENABAST to deal directly with private pharmacies and cap retail prices.



As a result of the reform, CENABAST bought 60% of medicines at up to 80% cheaper in 2020, saving the government an estimated US\$ 9 million. Detailed analysis also showed an increase in competition: there was an increased number of bidders for 31% of medicines procured and 56% of medicines had at least two suppliers.

Of the 60 suppliers awarded contracts in 2020, 17 had not been awarded contracts in the previous period, suggesting new participants entered the market.

CSOs also partnered with the government to improve the efficiency and effectiveness of public health spending. In 2020, FOF, together with NGO Espacio Público, established a platform to analyze red flags for transparency and competition by institution and procurement process. Data generated via the platform provides insights on procurement processes giving public institutions evidence to introduce improvements.

# Useful resources

**EUPATI** - Steps of HTA processes and their necessary considerations

**UNICEF** - Technical review of public health supply chain assessment tools

**USAID** - Recovery Strategies for Public Health Supply Chains PostBlack Swan Event

**USAID** - Supply Chain Considerations for Implementing Decentralized Drug Distribution

**MSH** - Updating National Essential Medicine Lists. A Step-by-Step Advocacy Guide

**USAID** - eLMIS Selection Guide

**INTERAGENCY SUPPLY CHAIN GROUP** - Visibility for Health Systems: Adoption of Global Data Standards (GSI)

**USAID** - Key Considerations for Centralized National Pharmaceutical Traceability Approaches

**MSH** - Managing Access to Medicines and Health Technologies

**OCP** - Guide to COVID-19 Procurement Data Collection, Publication & Visualization

## About the Open Contracting Partnership

The Open Contracting Partnership is an independent not-for-profit, silo-busting organization working 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 sustainably.

We focus on public contracts as they are the single biggest item of spending by most governments. 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 fairer and better.

### Contact us

[engage@open-contracting.org](mailto:engage@open-contracting.org)

[www.open-contracting.org](http://www.open-contracting.org)

[@opencontracting](https://twitter.com/opencontracting)

**OPEN  
CONTRACTING  
PARTNERSHIP**

[www.open-contracting.org](http://www.open-contracting.org)

[engage@open-contracting.org](mailto:engage@open-contracting.org)

 [@opencontracting](https://twitter.com/opencontracting)