



Assessment of the Procurement System and Capacity of the Health Department Government of Punjab

صحت زندگی



Innovation in procurement involves development of efficient, updated systems and procedures that facilitate effective purchasing of products/services. Every year Punjab Government spends billions on products and services; in 2012 procurement budget was 28.7% of the total health budget of the province. An assessment of the existing procurement system and capacity of the Punjab Department of Health (DoH) was conducted to review current procurement challenges and abidance by the regulatory framework. As a result, a strategy to strengthen the procurement process of the DoH in consonance with the legislative and regulatory framework was developed. Recommendations emanating from the assessment focused on practical solutions for improvements within the ambit of available resources.

Background

The Punjab Public Procurement Regulatory Authority (PbPPRA) was established through a Provincial Assembly Act in 2009 with the mandate to oversee public procurements. However, it remains without any financial or regulatory authority, barring the adoption of the Federal Procurement Rules (PPR 2004) and appointment of a Managing Director.

The DoH makes sizeable procurements for public sector health facilities, which are undertaken by four different entities in the DoH; these are

- Additional Secretary (Admin) DoH
- Autonomous Medical Institutes
- Executive Officer(s) Health, District Governments
- Vertical Programs (now under Provincial Govt.)

Prior to year 2000, procurements in health sector were made through a Central Procurement Cell; currently, the Purchase Wing under the Additional Secretary (Admin) undertakes procurements for new projects such as establishment of tertiary Hospitals or their up gradation; routine procurements are carried out by DG Health's office.

Assessment Methodology

Following evaluation criteria were developed for conducting a comprehensive assessment of the procurement system,

- Conformity with Legal Requirements of PbPPRA
- Efficiency
- Economy
- Transparency and
- Value for Money

The focus of this assessment was on an open competitive method, which as per law is the principal method of procurement. To this end, the procurement process was broken down to 24 steps with each evaluated on the five criteria highlighted above. This evaluation was conducted for all procuring bodies in the province i.e. Department of Health (DoH), Autonomous Medical Institutes (AMIs), Districts and Vertical programmes.

Shortcomings in each step were highlighted indicating the level of risk involved. The risk parameters follow the Department for International Development (DfID) methodology i.e. Red for High Risk, Amber for Moderate Risk, Green for Low Risk and White for No Risk (RAG method).

Results

The result of the evaluation regarding 'High Risk' shortcomings are listed below

1. Standard Bidding Document (SBD)

The DoH has adopted SBD, originally developed for the MNCH programme by the Technical Resource Facility's (TRF) Long Term Procurement Support. This particular SBD was found to be relatively more efficient compared to the standard bidding document in use before. The latest SBD qualified the PbPPR requirements of "precise and unambiguous bidding document" however it was designed for pre-qualified bidders. Since the DoH was using the said SBD without instituting pre-qualification, its efficiency is likely to be reduced. Therefore the SBD posed a 'Moderate Risk' to the efficiency and economy quotient of the procurement process.

2. Procurement Planning

Under the rules of PbPPR, the DoH is required to announce its Annual Procurement Plan. However,

procurement planning was non-existent and practice of the DoH regarding procurement planning and announcement represented a 'High Risk' for efficiency, transparency and conformity with legal requirements

3. Standard Specifications

The DoH utilised Product Vocabulary (PV) list and Drug Formularies for standardisation of specifications, however their use was abolished in 2011. A technical-committee-formatted methodology was made for vetting specifications, prior to each procurement activity. The new mechanism was found to be a time consuming exercise and on several occasions the technical committee was not formulated. It was also observed that the end user developed essential specifications based on supplier specifications or preferences of doctors, resulting in specifications which reduced competition. Lack of standardised specifications represented a 'High Risk' towards lower efficiency, economy, transparency and value for money and was also in violation of legal requirements

4. Pre-Qualification

Pre-qualification was not practiced at the DoH, adversely affecting evaluation criteria formulation, transparency and value for money. The bidding procedure was open to all and sundry. Lack of essential prequalification criteria posed a 'High Risk' toward economy, efficiency and transparency quotient of the process and also limited the department's ability to secure value for money for its procurements.

5. Evaluation Criteria

Specimen of the evaluation criteria were found to be heavily tilting towards financial health of the suppliers/bidders with minimal focus on the product. In case of electronic equipment, after sale services by supplier were not covered under the criteria. Such a biased evaluation criteria reduced the efficiency and economy of the procurement process and posed a 'High Risk' in all four of the assessment criteria. However, it did not stand in conflict with the PbPPR.

6. Technical Evaluations of Bids

Technical evaluations were conducted in relative haste not allowing ample time for a thorough check. Documented record of past evaluations was not easily decipherable because of issues with the evaluation criteria. These limitations posed a 'High Risk' towards reducing efficiency, economy, transparency and value

for money in the procurement process of the DoH.

7. Limitation on Negotiations

PbPPR rules prohibit negotiations with the lowest evaluated bidder or any other bidder. This blanket prohibition encouraged cartelisation within the suppliers, reducing competition and posed a 'High Risk' towards efficiency and value for money in the procurement process.

8. Maintenance of Record and Freedom of Information

The PbPPR requires that as soon as the contract is awarded the procuring agency should make procurement records public. The DoH was not fulfilling this requirement. The objective of this rule was to encourage transparency; non-adherence to this requirement posed a 'High Risk' towards lowering the transparency quotient and conformity with legal requirements.

9. Oversight Mechanisms

The DoH has three oversight mechanisms, which are

1. Administrative Oversight.
2. Regulator's Oversight.
3. External Audit.

The oversight was handicapped due to a limited understanding of the PbPPR and a general lack of regulations and guidelines in the matter.

10. Stores and Distribution

Storage capacities were found to be inadequate with non specified areas being used for storage. However, the store areas were found to be up to the mark with proper space and where necessary had refrigeration capacity. The maintenance of stocks and store was carried on in accordance with General Financial Rules (GFR), however institutionalised training of store staff was lacking..

The inadequacy of storage space, coupled with no refresher training for store staff posed a 'High Risk' in store management and up-keep.

Risk Mitigation Strategy

Considering the results of the evaluations, risk mitigation strategies were proposed, which, if implemented, are likely to enhance the procurement efficiency of the health sector. These are given in the table below

Risk Mitigation Matrix

Recommendations and Actions to be taken	Responsibility	Time lines
Establishment of Dedicated Procurement Unit Approval of administrative adjustments Allocation of regular budgetary requirements	DoH	To be agreed upon
Re-institution of Purchase Manual (updating of Relevant Clauses in lines with PbPPRA) Review of the Purchase Manual with a view to ascertain compatibility with the PbPPR 2009 Drafting of Office instruction/SoPs Notification of the approved clauses	DoH/TRF LT Support.	-do-
Review/Development of Registration Procedures Review of the Procedures Identification of optimized procedures. Drafting of SoPs/Guidelines/user Notes. Notification of the approved procedures and processes	DoH/TRF LT Support	-do-
Institution of Pre-qualification Acquiring of Sec. DoH approval Amendment in Rule 15 of PbPPRA to exempt or allow DoH to institute Prequalification. Development of relevant documentation/procedure	DoH/PbPPRA/TRF LT Support	-do-
Reinstitution of PV lists and Drug Formularies Acquiring approval of the Sec. DoH. Selection of Safety Standards for Medical devices Formulation /Updating of Specifications as PV lists and Drug Formularies. Notification of the Updated Product Vocabulary lists and Drug Formularies	DoH	-do-
PbPPR Limitation on Negotiations Acquiring approval of the Sec.DoH D.O Letter to the MD PPRA for issuing instructions to overcome the difficulty faced. Institution of Price Analysis	DoH/PbPPR	-do-
Standard Operating Procedures for Procurement Planning/Announcement of Evaluation Reports / Freedom of Information and Grievance Redressal Acquiring approval of the Secretary DoH. Drafting of SoP Approval and Notification of SoPs	DoH/TRF LT Support	-do-

Guideline on development of Evaluation Criteria Acquiring approval of the Sec, DoH. Drafting of the guideline Approval and notification	TRF LT Support	-do-
Development of Evaluation Formats Acquiring approval of the Sec, DoH. Development of formats Approval and notification	TRF LT Support	-do-
Training Capacity Building Acquiring Approval of Sec. Health. Identification of target audience. Design of trainings procurement of Goods/evaluation criteria/ Contract management/ PbPPR	DoH/TRF LT Support	-do-
Institution of Procurement course in the Health Sector Training Institutes Design of the course for different levels of staff. Approval of the design. Notification and Institution of the course. D.O Letter from the Sec. DoH to the Chief Secretary/Rector NPP for inclusion of this course in the curriculum of NPP institutes.	DoH/DG (Health)/TRF LT Support	-do-
Up-gradation of DoH Website to include procurement information for wider publicity Acquiring approval of the Secretary Health. Designing for the extended web-portal Operationalization of the portal	DoH/IT Department/TRF LT Support	-do-
Development of Guidelines for Alternate methods of procurements Acquiring approval from the Secretary Development of Draft guideline Approvals and Notifications	DoH/TRF LT Support	-do-

Recommendations

Based on results of the evaluation and identified risks, the following actions are recommended.

1. Establishment of Dedicated Procurement Unit

The evaluation results suggest establishment of a dedicated procurement unit working within the devolved set up and capable of providing an improved degree of uniformity and oversight. The DoH already possesses some human resource which could be made part the procurement unit.

2. Up gradation of Documents / Re-institution of the Purchase Manual Clauses in line with PbPPRA rules

There is a need to have detailed regulations on procurements of 'Goods, Services and Civil Works' and user notes for all categories of procurements. A Procurement Guideline Manual has been developed by Ministry of Health and is available on the Federal PPRA website. The same can be used as a base for developing a similar manual for Punjab.

3. Establishment of Standardizations & Registration Procedures

It is recommended that in the short term, capacities and procedures for registration of pharmaceuticals be reviewed and updated and some measure of monitoring be introduced for electro-medical suppliers (ensure safety standards, delivery, and installation and after sales services).

It is also recommended that the Product Vocabulary (PV) lists and formularies be updated and reintroduced in health procurements.

4. Institutionalize documentation development processes

In order to enhance efficiency and uniformity, Standard Operating Procedures (SoPs) be prescribed for all procurement activities, including grievance redressal. A detailed guideline for formulation of evaluation criteria must also be developed with capacity for identifying principles involved in developing and application of evaluation criteria.

5. Training/ Capacity Building

Regular and tailor-made capacity building trainings are recommended for improving procurement procedures at all levels. A set of trainings should be designed for procurement staff in all healthcare departments, with focus on use of SBD, contracts negotiation, drafting and management. These trainings should be institutionalised so that all existing and new procurement staff is well versed in the SoPs of the department.

6. Strengthening Transparency and Oversight

A checklist with necessary actions and required documents for all procedures should be developed, thereby improving administrative oversight. The SBD format in use should be notified as the standard for procurements. The website of DoH should be re-structured to provide procurement related information, increasing transparency of the department's workings.

Post devolution, the Government of Punjab is responsible for formulating its own health policy and reforming intra-departmental structures, governance mechanisms and institutional capacity to cope with this additional mandate. Procurement procedures and mechanisms for drugs, medical equipment and services should be an integral part of health reform so that the procurement system is made more effective and efficient.



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