



Technical Brief  
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# Status Report of Rollout of the Procurement Improvement Plan in Lumbini and Madhesh Provinces

## A. INTRODUCTION

Procurement as key to budget execution process stands as a vital government function, encompassing numerous operational endeavours, and should be acknowledged as an integral facet of any organisation's collective strategy. The alignment of procurement and supply chain operations holds particular significance in achieving the objectives of healthcare sector management. In Nepal, maintaining effective governance within the public procurement framework has been a challenge. A substantial portion of the national health budget in many developing countries (20-50%) is used for procurement of pharmaceutical products (MoHP, 2009). In Nepal around 6% of the national budget is used for the health sector, and out of this only 12% is expended in procurement of medical goods (MoHP, 2021). Improving procurement of medical goods is therefore an important area of work. In response to the federalised context, the FMoHP approved and rolled out the Public Procurement Strategic Framework (PPSF), 2022/23-2026/27 to improve procurement of medicines and medical goods in the country and aims to enhance the effectiveness and efficiency of procurement and supply chain management. Drawing on the PPSF, Ministries of Health in Madhesh and Lumbini provinces have endorsed the Procurement Improvement Plan (PIP) spanning from 2022/23 to 2026/27 based on outputs (Fig. 1) to improve the health sector procurement



Figure 1: Expected outputs of PIP

and supply chain process. The primary focus of the PIP is to elevate various aspects of procurement processes. This includes enhancing the procurement cycle activities and bolstering the capabilities of both health ministries and their spending units. Provincial MoHs must track the rollout status of the PIP, take stock of implementation progress annually and undertake timely corrective measures. The UK funded Nepal Health Sector Support Programme has been supporting them to undertake this. This briefing provides a summary of the progress of PIPs in both provinces for the fiscal year 2022/23, including challenges and recommendations.

## B. APPROACH AND METHODS

A qualitative approach was used to track, gather, and analyse data on the roll-out of PIPs in both Lumbini and Madhesh provinces. This included - tracking of activity implementation frameworks using rating on a scale of 1 to 5; consultations with purposively selected key government officials from finance and health ministries and several other stakeholders involved in procurement process; desk reviews of various federal, provincial, and local government documents; and validation workshops and policy discussion at provincial levels were conducted. The validation workshop (Fig. 2) in both provinces were held where the findings of the study presented and discussed with the stakeholders and received inputs and feedback. The final report incorporated all the feedback including inputs from the Department of Health Services and various stakeholders.

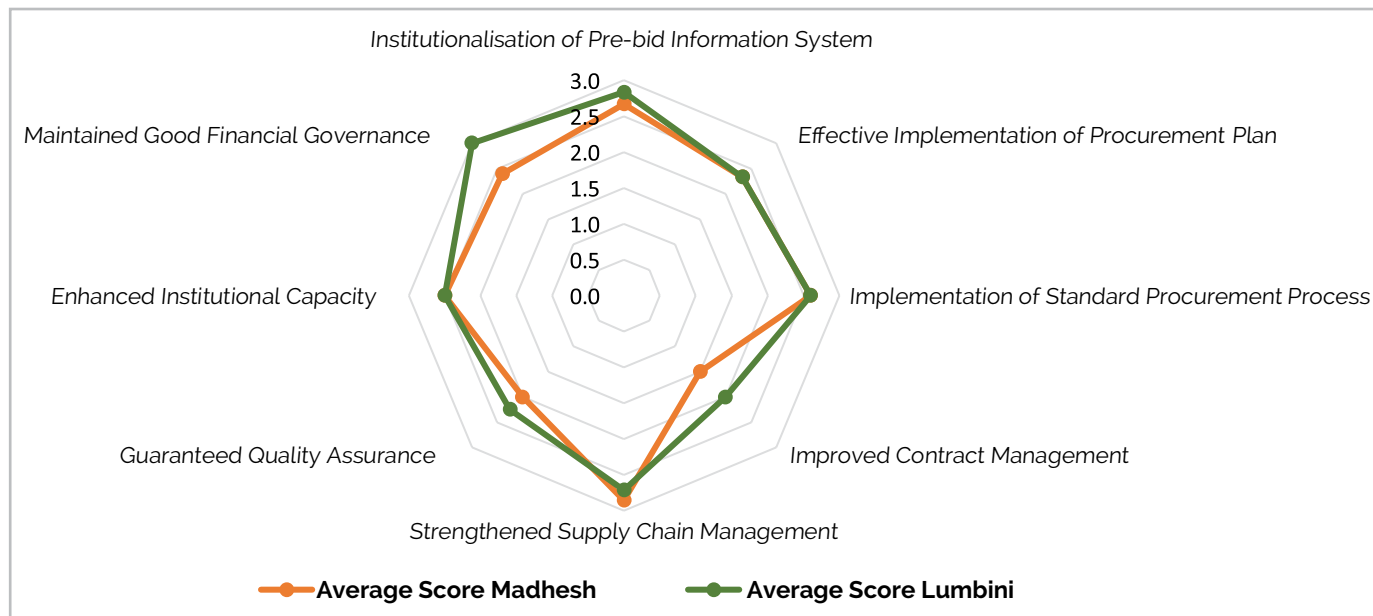


Figure 2: Validation workshop in Lumbini province

## C. KEY FINDINGS:

### C1. STATUS OF ROLLOUT OF THE PROCUREMENT IMPROVEMENT PLAN

The PIP guides provinces and local levels to align procurement with federal policies, plans, and programmes. It is expected to ensure time and cost efficiencies, quality in the procurement, and continuous availability of medicines and medical goods at all levels. It has eight key outcomes and intervention area. As per the assessment tool designed, PIP activities were rated on five-point scale as poor, below average, average, above average and well implemented, based on the progress status observed. Average scoring was calculated for the key interventions within the eight key outputs and is presented in the graph below (Figure 3):



**Figure 3:** Visualization of average scoring obtained from rating scale

#### C1.1 Institutionalization of Pre-bid Information System

Lumbini province was found to score little higher above average than Madhesh in Output 1 which refers to institutionalising pre-bid information system as planning to prepare guidelines for budget forecasting and preparing a list of items procured in previous years. Provinces are adopting various systems like e-LMIS, HMIS, EMR, P-LMBIS, PAMS, CGAS, SuTRA, and TSB for managing the procurement process. Harmonised procurement guidelines, integrated systems, and institutionalised tools for medical goods procurement are the need. Madhesh province is finalising a Supply Chain Management Guideline, while Lumbini province is advancing e-LMIS, quantification, and forecasting. Several others such as the Technical Specification Bank (TSB), Basic Health Services (BHS) medicines list specifications are being done at the federal level. Reconciling dual systems such as the e-LMIS and PAMS, is crucial to avoid confusion and work duplication.

#### C1.2 Implementation of Procurement Plan

Both the provinces scored average for Output 2 on procurement planning. While larger entities usually prepare Annual Procurement Plans (APPs) after the fiscal year begins, while smaller entities create them before procurement. Notably, Provincial Health-Logistics Management Center (PHLMC) and Provincial Public Health Laboratory (PPHL) in

both provinces had initiated APPs at the start of the fiscal year, whereas some entities, like Lumbini Provincial Hospital, were unaware of preparing APPs. Procurement plan templates from the Public Procurement Monitoring Office (PPMO) website and Electronic Government Procurement (e-GP) portal are in use.

#### C1.3 Implementation of Standard Procurement Process

Standard Bidding Documents (SBD) are used for effective public procurement, but health-specific SBDs are not yet endorsed. PHLMCs in both provinces use the e-GP (97%), aligning with the regulations and following the DoHS facilitation handbook for medical goods procurement. However, there are varying unit prices and quality of medical goods which shows the lack of proficiency in procurement. For harmonisation and consolidation in procurement through the Framework Arrangement, model Standard Bidding Document for medical goods procurement developed are in consideration at PPMO.

#### C1.4 Improved Contract Management

Output 4 on contract management practice in both provinces were below average, and Madhesh was further below Lumbini. A comprehensive contract management system helps to record procurement activities from planning to acquisition, ensuring

quality adherence, acceptance, and payment. Neither province has developed the Contract Management System and follow traditional methods for tracking contract progress. Local levels too exhibit weak contract management capacity and monitoring mechanisms. Although public disclosure of contract information is mandatory within three days of contract signing, no evidence of post-contract signing public notices were seen.

### **C1.5 Strengthened Supply Chain Management**

In terms of Output 5 however Madhesh province has began drafting the SCM guideline, and Lumbini too has performed reasonably well. Effective supply chain management requires infrastructure, skilled human resources, and e-LMIS for efficient flow of goods, data, and finances. Government entities recognize the importance of e-LMIS rollout and real-time data entry, and this is being practiced at PHLMCs and Health Office levels. Madhesh province relies on rented space as a medical store, lacking proper dry medical storage. A new medical store is under construction, while Lumbini's store requires expansion. Vaccine stores were established during the COVID-19 in both provinces. But there is a shortage of skilled personnel in these stores. In addition to this, the provinces follow FMoHP's Warehouse Management Handbook and the Directive for Medical Waste Disposal. Lumbini province has also established a medical equipment maintenance workshop, while both provinces implement Annual Maintenance Contract and Comprehensive Maintenance Contract. Nick Simons Institute has supported a biomedical workshop establishment and BMET training in hospitals.

### **C1.6 Guaranteed Quality Assurance**

Quality assurance – Output 6 - in both the provinces however is weak, although Lumbini province has been practicing post-delivery testing in bulk procurement. Adequate infrastructure and skilled technical personnel are crucial for this. A Facilitation Handbook for Pre-shipment and Post delivery Inspection of Medical Goods is available, but no formal quality assurance system is in place. However, quality assurance clauses are mentioned in the bidding documents. Provincial ministerial level advocacy aims to establish quality testing labs but lacks technical know-how and has budget constraints.

### **C1.7 Enhanced Institutional Capacity**

Both the provinces have low average scores on Output 7 on institutional capacity indicating the lack of adequate competent staff in procurement and SCM. Enhancing institutional capacity involves professional training, short courses, and workshops at federal, provincial, and local levels.

Although staff at PHLMC, PPHL, and PHD are trained in procurement and support hospitals and local levels in e-GP implementation and procurement facilitation, this is inadequate. Advanced training in procurement, e-GP, and supply chain management is needed.

### **C1.8 Maintained Good Financial Governance**

Lumbini province regularly has suppliers' meetings and publishes some procurement information on its website, show a better average score in governance practices – Output 8 - than Madhesh province. Public procurement governance involves disclosing procurement details, adhering to a code of conduct, and addressing grievances. Health entities use "Notice of Intention to Award" for the public and bidders. Supplier meetings are organised for large procurements. Procurement compliance is evaluated positive by assessing reduced audit irregularities in procurement.

In summary, Lumbini has done marginally better in terms of implementation of the PIP than Madhesh, but both provinces have to undertake a number of other activities to be fully compliant with the requirements of their PIP.

## **D. CONCLUSION:**

Procurement of medical goods is key for provinces, as they are responsible for supplies to a number of provincial as well as local level facilities. There is commitment to improve health standards, and an effort to standardise medicine and medical goods procurement and supply chains. Progressively, the PMoH in both provinces have initiated steps to enhance transparency, competitiveness, and effectiveness in health sector procurement. There have been advancements over the ten months following the introduction of provincial procurement improvement plans (PIPs) which range from standardised pre-bid information systems, refined contract management and enhanced supply chain management. However, a number of planned activities and expected outputs are yet to be realised.

## **E. RECOMMENDATIONS:**

### **Procurement planning and governance**

- Information systems need to be integrated and made interoperable so that the linked procurement systems provide a more robust information for decision making and preparation of annual procurement plan. Systems such as the e-LMIS have to be expanded to all health institutions for real-time data entry, and Federal MoHP/DoHS needs to update guidelines for system usage and pre-procurement information.
- A market study on medical products should be conducted and keep TSB up to date, enhance PLAMAHS to cover equipment details, and

provide historical procurement unit prices for cost estimation.

- Provinces have to prepare APP during AWPB preparation and revise as necessary after getting appropriation of budget, ensuring early execution and fiscal alignment.
- Three tiers of governments have to work together to create a contract management system more transparent and timely delivery medical goods and services.

#### Quality assurance and monitoring mechanism

- All three governments have to prioritise quality medicine procurement process by establishing quality assurance and monitoring mechanisms, ensuring Pre-Shipment Inspection and Post-Delivery Inspection as per the facilitation handbook, and setting-up medicines testing labs and inspection agencies across provinces.
- Federal and provinces have to develop an SBD for health sector goods and advocate for its endorsement by PPMO. Introducing Framework Arrangements would contribute to a smooth, quality-focused supply of goods. With use of the procurement facilitation handbook for medical goods procurement enhances compliances and acquisition of quality medicines.

#### Capacity building

- Continuously develop capacity through training, exposure, and experience sharing in procurement, e-GP, logistics, inventory, forecasting, and quantification. Align training with the PPMO manual and elaborate guidance for health procurement management.
- Developing a roster of certified and trained resource persons, Massive Open Online Courses (MOOCs) in procurement and supply chain methods, and peer-to-peer learning processes could foster procurement knowledge and skills among government staffs, procurement decision makers and suppliers as well as key to addressing skilled human resource shortages in medical warehouses and stores.

#### Supply chain effectiveness

- Guidelines for supply chain management systems, inventory management and control, transportation, forecasting, and quantification need to be updated at the provincial level. Warehouse infrastructure, equipment, and skilled technical human resources in the warehouses need to be improved, and distribution has to strengthened with defined ToRs and regular surveillance, inspection and supervision of storage and supply facilities.

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