

Procurement

Systems Strengthening Report

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A strategic review of health systems strengthening and the delivery of the NHSSP 2 results framework

Executive Summary

Background

The Government of Nepal (GON) has introduced a number of systems and measures to improve transparency and effectiveness of public procurement in recent years. The enactment of The Public Procurement Act, 2063 (PPA) and the subsequent establishment of the Public Procurement Monitoring Office (PPMO) underlines their commitment. Whilst it is acknowledged that change can be difficult to implement, the Ministry of Health and Population (MOHP), supported by external development partners, has embraced these initiatives and in some areas benefits can be identified.

Strategic Focus of TA

Supply Chain Management: For the MOHP and pooled partners to continue to build on this impetus, over time, a more holistic view of the supply chain would enhance the effectiveness the system strengthening proposed. Through building confidence in the whole supply chain from health professionals to suppliers we will seek to reduce risks and the need for interim, or “stop gap”, approaches. Currently KfW and USAID are leading on reform within the logistics and stores management field. Already these two programmes, along with NHSSP2, have agreed a coordinated approach and will present their initial strategic TA approaches together.

Human Resources: Central to many government policies is the appointment and retention of staff, and traditionally procurement, logistics and stores management suffer a similar fate of high turnover. To its’ credit, MOHP has retained a number of key individuals in post which has significantly contributed to the momentum of procurement reform that has been achieved to date. Further strengthening and efficiencies can be achieved through technical appointments in health supply chain management. A longer term objective of professionalization should enable GON to lock in the system strengthening which will be achieved under NHSSP2 and not lose out as many governments do. We should also endeavour to ensure that these professionals are supported with the right infrastructures to deliver their skills to their best abilities.

Procurement Planning: GON has a planning and budgeting process in place which includes a mechanism for procurement planning. This has great significance with procurement needs spread across the Department of Health Services. Whilst it has been acknowledged that there have been improvements this year, we need to encourage all budget holders to share their requirements to enable Logistics Management Division (LMD) and the Management Division on behalf of Department of Urban Development and Building Construction (DUDBC) to commence centralised planning as early as possible. Whilst a limited amount of procurement can be launched before the budget is approved, a refinement of the planning

process will enable a fast track response once the budget has been confirmed each fiscal year.

Delivery of goods, services and works: The most critical aspect of any health supply chain is to ensure quality healthcare delivery through the timely and cost effective delivery of goods, services and works. The correct application of the PPA and World Bank guidelines, and thereby the reinforcement of transparency, can mean that the process is often not swift. This can also present a challenge in maximising the health budget within the GON Fiscal Year. Until confirmed technical appointments can be incorporated as part of the LMD organisational structure, we recommend that short term appointments are made as a 'surge' capacity to meet this Fiscal Year's planning, and to avoid any critical or essential gaps in the supply of drugs and equipment.

Compliance and dispute resolution: The sensitive areas of compliance and dispute resolution go hand in hand. In implementing procedures, users have a number of reference points, not least the PPA, Financial Accounting Regulations (FAR) and donor guidelines, whilst compliance is currently monitored by a number of bodies. A centralised policy for compliance in supply change management would ensure that the focus is maintained on the real issues arising. Subsequently as part of an M&E approach GON would benefit from focussing on how the system may be modified to avoid a reoccurrence of non-compliances and ensuring that the system changes are communicated swiftly. Additionally effective training on understanding the potential risks in the supply chain will enhance officers' ability to prevent and detect wrong doing. Equally as a partner in the process, the private sector needs to understand that sometimes frivolous claims can have a serious impact on healthcare delivery. The centralised approach would hopefully see a reduction in these, but give the private sector the reassurance that valid concerns will be dealt with in a timely and transparent manner. The development of PPMO as the oversight body in this professional area may afford GON a simple but effective approach.

Best practice: Documenting and consolidating best practice will lead to standardisation in this field. Through aligning procedures, refining existing manuals, guidelines, bidding documents and specifications we will not only support compliance but also reduce interference. This will also be the beginning of a sustainable legacy for GON.

Information Technology: Finally, we will consider the best application of information technology (IT). GON has already established a working group to review e-bidding and we will support the move forward of this new technology. In the longer term, no doubt this working group will move on to the broader benefits of more comprehensive e-procurement solutions. Meanwhile there are a number of Management Information System (MIS) initiatives which will ensure the Strategic Decision Makers are better informed. These will initially revolve around market approaches including international pricing and trends. This will strengthen the selection of drugs, commodities and equipment by considering issues such as product lifecycle, thereby reducing the use of outdated drugs or technology and maximising value for money.

Proposed Technical Assistance

- Two Procurement Advisors (LTTA) embedded in the LMD (counterpart Dr Mingmar G Sherpa). They, alongside a Procurement STTA, will also provide regular assistance to

DUDBC, to support systems strengthening and to support problem-solving in priority areas.

- Procurement STTA for a range of tasks derived from the strategic focus of the technical assistance, this will comprise both capacity building TA and more transactional support where appropriate
- Technical assistance will also be provided in the form of mentoring and desk-based support by a UK-based procurement advisor.

Addenda

A summary of the key issues and gaps and the proposed TA response is attached at Addenda A.

Addenda A

Procurement System Strengthening

Issues/Gaps	Key recommendation	TA response	Govt required response
Consolidated procurement planning in MOHP – some departments are not releasing their needs until the budget is approved	Centralised approach to procurement planning	Support in strengthening procurement planning. Workshops for Strategic Decision Makers.	Encouragement of key stakeholders to subscribe to the process
Improved linking of procurement planning and budgeting	Improved matching of budgeted costs with procurement plan	Support in strengthening of planning and budgeting. Development of MIS to better inform costs. Support in strengthening procurement planning. Workshops for Strategic Decision Makers.	Encouragement of key stakeholders to subscribe to the process
Increase in GON budget and volume of workload but not numbers of postholders. Roles are not always compatible with sector needs and key people are not always kept in post	In some instances create new positions or endeavour to complete recruitment for vacant posts. Develop Job Descriptions for key posts which highlight the technical skills required	Executive support is needed to maximise procurement under this year's budget	Consider GON's ability to respond to recommendation
Current approach to Supply Chain Management (SCM) is still fragmented	Develop a SCM Strategy for MOHP	Consolidation of TA by NHSSP2 pool partners alongside KfW and USAID. Development of a Strategy paper for discussion by GON and EDPs.	Further discussion on SCM Strategy
Lack of professionalisation	Examine ways in which key post holders will receive professional training and accreditation	Review of current professional career paths and recommendations for strengthening	
Enhancement of human infrastructure – IT	Development of IT support and skills of postholders		Assess training needs and rollout training
Enhancement of physical	Provide key posts with a more		Centralised and secure offices for

infrastructure - accommodation	confidential working environment		procurement staff
Enhancement of physical infrastructure – tools	Review physical resourcing of tools such as IT and vehicles		Provide a suitable budget for the additional equipment required
'Pull system' has been implemented in some Districts but forecasting is still restricted	Full roll-out of the 'pull system'. Further development of web based LMIS to include all stores which will provide real-time forecasting	To be undertaken by KfW and USAID	
In some areas a lack of understanding of the Public Procurement Act (PPA), World Bank (WB) guidelines and the differences therein.	Broaden understanding of PPA and WB guidelines and provide more detailed training for procurement officers and engineers	Structured training modules, mentoring and on-the-job training	Work with Public Procurement Monitoring Office (PPMO) in particular on the PPA
More work can be done in procurement management – ie bundling etc	Link with improved planning consider the best application of multi-year contracts, bundling etc	Development of procurement management strategy	
Complaints being made to stop or influence the procurement process in addition to a number of different avenues for submitting complaints and several compliance bodies	Development of a single route for complaints, preferably through PPMO	Development of a harmonised approach including dispute resolution. Use of websites. Code of Ethics.	Review and comment on harmonised approach. Consider enforcement of black listing. Engagement with PPMO.
Undue influence on the procurement process	Procurement system strengthening	Improved understanding of procurement risk management. Structured training modules, mentoring and on-the-job training. Private sector training. Enhanced dissemination of procurement processes. Use of websites. Code of Ethics.	Support dissemination of public information and understanding. Development of confidential working environments. Consider enforcement of black listing. Engagement with PPMO.
In some instances a lack of private sector understanding of the	Private sector workshops	Private sector workshops	

procurement process and how to respond to bid invitations			
No mechanism for capturing non-compliance	Need to capture issues identified as non-compliance during the procurement process and strengthen procedures as a result	Structured training modules, mentoring and on-the-job training. Standardisation of documents and procedures and specifications and standards	
There is the development of best practice in a number of areas but these need to be consolidated and shared with a broader audience	Consolidation and ongoing development of best practice	Development of Procurement and Operational Manuals. Code of Ethics.	Enhance linkages within MOHP and DOHS and externally
Potentially there is a considerable amount of data which could better inform planning and budgeting	Development of MIS for market approaches	Develop a market approaches database	
Health professionals are over-relying on local sourcing and there are some concerns over the quality of products locally procured	Build confidence in Health professionals and strengthen the supply chain	Strengthening of Quality Assurance (QA) procedures in the procurement of drugs, vaccines and medical equipment. Forecasting and stock management. Review of regional and district procurement.	Increased budget for QA. Retention of key skills in the supply chain.
Supply of out of date drugs and medical equipment, short shelf life drugs, inferior goods, not to specification equipment or not originally manufactured equipment	Strengthening of the procurement process	Development of a Specification Bank and Standards, development of Standard Bidding documents, strengthening of Quality Assurance (QA) procedures in the procurement of drugs, vaccines and medical equipment.	Technically qualified staff are part of the procurement process
Unsuitable location of health centres either without infrastructure or unsupported by local communities	Development of Site Selection Criteria	Development of Site Selection Criteria	

Letters of Credit (LCs) not permitted for Nepali suppliers which impacts on pricing and level of competition	LCs to be permitted to enhance transparency, stimulate local market, improve competitiveness of pricing and reduce workload of DoHS		Ministry of Finance to review decision
Uncertainty over the use and benefits of devolved purchasing	Review the application of CBLP and use of District budgets		Consider a centralised unit for all procurement of goods and services
Undue influences when selling and receiving bid documents	Use of e-bidding	Support GON e-initiatives through PPMO Working Group. E-procurement review.	
Lack of a structured approach to procurement audit	Regular procurement audits which will support the compliance process and lessons learnt	Standardisation of documents and procedures and specifications and standards. Development of Procurement and Operational Manuals.	
Job descriptions are not tailored for technical staff so some roles are performed by unskilled staff or highly experienced staff are transferred out	Development of job descriptions for key technical staff demonstrating essential experience and qualifications		Incorporate as part of HR Strategy
Technical specifications are inconsistent or too broad	Development of a Specification Bank	Development of a Specification Bank. Training in drafting specifications and terms of reference.	Technically qualified staff are part of the procurement process
Balance between openness and transparency and conflicting interests which might divert the process	Improved understanding of the procurement process and procurement risk	Improved understanding of procurement risk management. Structured training modules, mentoring and on-the-job training. Private sector training. Enhanced dissemination of procurement processes.	
DUDBC are not involved in the	Centralised approach to procurement	Support in strengthening of planning	

planning and budgeting process for civil works	planning and budgeting to include DUDBC	and budgeting. Development of MIS to better inform costs. Support in strengthening procurement planning. Workshops for Strategic Decision Makers.	
Construction programme delayed by delays in planning and lack of budget	Centralised approach to procurement planning and budgeting	Support in strengthening of planning and budgeting. Development of MIS to better inform costs. Support in strengthening procurement planning. Workshops for Strategic Decision Makers.	
Old and unused stock in stores	Comprehensive stores inventory		Destroy old stock. Agree strategy for disposal of unused stock.
Unequipped health centres	Improved coordination between civil works construction and procurement planning.	Support in strengthening of planning and budgeting. Development of MIS to better inform costs. Support in strengthening procurement planning. Workshops for Strategic Decision Makers.	
Lack of procurement training for DUDBC especially at district level	Broaden understanding of PPA and WB guidelines and provide more detailed training for procurement officers and engineers	Structured training modules, mentoring and on-the-job training	Work with PPMO on PPA training
Lack of Supervising Engineers	Consider ways in which the budget can be extended for supervision and monitoring		Consider ways in which the budget can be extended for supervision and monitoring
Financial restrictions on preshipment inspection/ testing	Ensure QA is central to the procurement process	Strengthening of Quality Assurance (QA) procedures in the procurement of drugs, vaccines and medical equipment.	Increased budget for QA.

Frustration with World Bank approaches eg restrictions by WB guidelines on new companies, lack of a uniform approach in budget variances	Improve understanding of World Bank guidelines. Strengthen the dialogue on procurement issues between the World Bank and MOHP	Structured training modules, mentoring and on-the-job training	
Distribution system – don't know what is where and when	Strengthening of inventory management	To be undertaken by KfW and USAID	
Leakage in stores	Strengthening of inventory management	To be undertaken by KfW and USAID	
Communication in contract management is not always good which can lead to legal disputes	Strengthening of contract management	Structured training modules, mentoring and on-the-job training. Archiving and records management.	Legal advice readily available
Issues over quality and price	Improve the quality of procurement	Development of a Specification Bank, development of Standard Bidding Documents, strengthening of Quality Assurance (QA) procedures in the procurement of drugs, vaccines and medical equipment.	
Need to correct irregularities through policy	As systems are strengthened the changes need to be incorporated into policy		Implementing changes into policy
Delayed delivery from suppliers	Strengthening of contract management	Structured training modules, mentoring and on-the-job training. Archiving and records management.	
World Bank procedures considered time consuming	Improve understanding of World Bank guidelines. Strengthen the dialogue on procurement issues between the World Bank and MOHP	Structured training modules, mentoring and on-the-job training	
Impact on budgeting due to weak financial reporting from districts which cannot be confirmed until three months after the end of the	Strengthen FMIS		

fiscal year			
Accused of delaying the work but unable to proceed until budget approved, which is also impacted by seasonal restrictions	Centralised approach to procurement planning and budgeting	Support in strengthening of planning and budgeting. Development of MIS to better inform costs. Support in strengthening procurement planning. Workshops for Strategic Decision Makers.	

Senior Procurement Adviser

EMPLOYER:	Crown Agents
REPORTING TO:	Team Leader
DURATION:	3 years
LOCATION:	Based in Kathmandu, although some travel is likely
COUNTERPART:	Director Logistics Management Division, Department of Health Services

Background

The Government of Nepal is committed to improving the health status of Nepali citizens and has made impressive health gains despite conflict and other difficulties. The Nepal Health Sector Programme-1 (NHSP-1), the first health Sector-Wide Approach (SWAp), began in July 2004, and ended in mid-July 2010. NHSP-1 was a highly successful programme in achieving improvements in health outcomes. Building on its successes, the MOHP along with External Development Partners have designed the second phase of the Nepal Health Sector Programme named as NHSP-2, a 5 year programme, which will be implemented from mid-July 2010. The goal of NHSP-2 is to improve the health status of the people of Nepal, especially women, the poor and excluded. The purpose is to improve utilisation of essential health care and other services, especially by women, the poor and excluded. Options Consultancy Services Ltd (Options) and partners are providing technical support to the GoN to implement NHSP-2.

Role Objective

The objective of the role is ensure effective and efficient strengthening of procurement of goods, works and services in the Government of Nepal in order to contribute to delivering essential health services.

Specific Areas of Responsibility

- The Senior Procurement Adviser (SPA) will supply technical expertise and advice to the Government of Nepal in all procurement for essential health services. This will be provided as an integral part of the overall consortium to ensure a comprehensive and unified approach to delivery;
- The SPA will support the delivery of the TA and other recommendations identified under the Procurement Systems Strengthening Report with the assistance of the Procurement Adviser and other Short-Term TA Experts;

- The SPA will also be responsible for the line management of the Infrastructure and Maintenance Advisor (IMA) and the Procurement Advisor (PA);
- In addition the SPA will have oversight for Crown Agents' activities in Nepal under NHSP-2 and be the primary point of contact for the Team Leader.

Person Specification

Specification	Essential	Desirable
Education and training	<ul style="list-style-type: none"> • Professional development in procurement 	<ul style="list-style-type: none"> • Experience of health sector procurement
Experience	<ul style="list-style-type: none"> • Extensive experience in management and leadership of multi-disciplinary teams in developing countries including working relationships with stakeholders, governments and donors • International procurement experience with demonstrated familiarity and experience in World Bank procurement guidelines and other international donors • Procurement management and planning • Provision of advisory services • Procurement strengthening 	<ul style="list-style-type: none"> • Experience of health sector procurement • Previous work experience in Asia
Skills & abilities	<ul style="list-style-type: none"> • Computer skills • Excellent written and spoken English • Good management skills 	
Special aptitudes	<ul style="list-style-type: none"> • Excellent interpersonal and communication skills 	
Interests	<ul style="list-style-type: none"> • International development • Understanding of the issues in health service delivery in Nepal 	
Disposition	<ul style="list-style-type: none"> • Team player • Flexible and responsive 	
Circumstances	<ul style="list-style-type: none"> • Available to travel within Nepal 	

Procurement Adviser

EMPLOYER:	Crown Agents
REPORTING TO:	Senior Procurement Adviser
DURATION:	3 years
LOCATION:	Based in Kathmandu, although some travel is likely
COUNTERPART:	Director, Logistics Management Division, Department of Health Services

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Role Objective

The objective of the role is ensure effective and efficient strengthening of procurement of goods, works and services in the Government of Nepal in order to contribute to delivering essential health services.

Specific Areas of Responsibility

- The Procurement Adviser (PA) will supply technical expertise and advice to the Government of Nepal in all procurement for essential health services. This will be provided as an integral part of the overall consortium to ensure a comprehensive and unified approach to delivery.
- The PA will support the delivery of the TA and other recommendations identified under the Procurement Systems Strengthening Report under the management of the Senior Procurement Adviser and with the assistance of other Short-Term TA Experts.

Person Specification

Specification	Essential	Desirable
Education and training	<ul style="list-style-type: none"> Professional development in health supply chain management 	
Experience	<ul style="list-style-type: none"> Wide knowledge and experience of the health field worldwide including drug management systems, quality assurance processes, procurement & logistics Health supply chain management and planning Provision of advisory services Health supply chain strengthening 	<ul style="list-style-type: none"> Previous work experience in Asia
Skills & abilities	<ul style="list-style-type: none"> Computer skills Excellent written and spoken English Good management skills 	
Special aptitudes	<ul style="list-style-type: none"> Excellent interpersonal and communication skills 	
Interests	<ul style="list-style-type: none"> International development Understanding of the issues in health service delivery in Nepal 	
Disposition	<ul style="list-style-type: none"> Team player Flexible and responsive 	
Circumstances	<ul style="list-style-type: none"> Available to travel within Nepal 	