



Addressing Procurement Bottlenecks

A Review of Procurement Bottlenecks in Public Sector Medicine Supply Chains and Practical Approaches Taken to Resolve Them



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Abstract

This report documents the successes in overcoming procurement bottlenecks, in particular, those that occur at the *first mile* of the procurement cycle (planning and budgeting; purchasing activity; contract management) of public sector supply chains for medicine. It presents a set of 14 short case studies from various developing countries that illustrate successful strategies that may help stakeholders and concerned parties in other countries solve their own procurement bottlenecks.

Cover photo: A staff person updates bin cards for health commodities at Boru-Meda Hospital in Ethiopia. 2012. USAID | DELIVER PROJECT.

USAID | DELIVER PROJECT

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Acronyms

AZT	zidovudine (also known as ZDV)
CIPS	Chartered Institute of Purchasing and Supply
CMS	Central Medical Stores
CS	contraceptive security
DAC	Development Assistance Committee
DFID	Department for International Development
e-GP	electronic government procurement
HIV	human immunodeficiency virus
IAPHL	International Association of Public Health Logisticians
IMF	International Monetary Fund
JSI	John Snow, Inc.
MAPS	Methodology for Assessment of Procurement Systems
MOH	Ministry of Health
OECD	Organization for Economic Cooperation and Development
PATH	Program for Appropriate Technology in Health
PMTCT	preventing mother-to-child transmission (of HIV)
SWAp	sector wide approach
UNDP	United Nations Development Programme
UNPCDC	United Nations Procurement Capacity Development Center
U.S.	United States
WHO	World Health Organization

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Executive Summary

Recently, attention has focused on improving the performance of the procurement processes in public sector supply chains. Inefficiencies that have resulted from procurement bottlenecks are well documented. In contrast, this report documents the successes in overcoming procurement bottlenecks, in particular, those that occur at the *first mile* of the procurement cycle (planning and budgeting; purchasing activity; contract management) of public sector supply chains for medicine. It presents a set of 14 short case studies from various developing countries that illustrate successful strategies that may help stakeholders and concerned parties in other countries solve their own procurement bottlenecks. While this report includes high-level government and international development community interventions, its value-added feature is what the practitioners have done to unblock specific procurement bottlenecks in their environment. A *first mile* supply process usually takes place at the central level; however, in this age of decentralization, it often takes place at lower levels, or at both levels, based on threshold spending limits. Thus, the report draws from first mile experiences at lower levels, as well as from the central level, based on the individual country situation.

This report includes information gathered from three main sources: telephone interviews, an extensive literature search, and interview records. The report's main feature is a set of 14 short case studies that show the positive results from interventions addressing procurement bottlenecks.

An analysis of background material reveals that many common first mile bottlenecks occur during the purchasing activity phase of the three-part procurement cycle (purchasing activity, supply planning, and contract management). However, these bottlenecks more often result from issues and activities that occur outside the purchasing office's control. Therefore, it is necessary to address the procurement environment where the work takes place, as well as the technical process.

By analyzing the set of short case studies, clusters of bottleneck and resolution action themes were identified. The most prevalent bottlenecks were persistent problems with access to funds, transparency and corruption, and quality concerns; while resolution actions resulted from civil society engagement and stakeholder intervention. *Champions* (a person or group that monitored the problem and pushed for resolution) were critical factors in every case; almost half the success stories involved action based on information gathered by or provided to the champions.¹ Knowledge of the procurement environment and access to reliable information were key tools to address bottlenecks. Findings from a recent, extensive Brookings Institute study (Griffin, de Ferranti, and Tolmie 2010) validated the conclusions from this analysis.

Building on the USAID | DELIVER PROJECT's 2008 Bangladesh reports (Bates 2008; Dickens 2008), the present report looks deeper into the premise that the procurement environment has at least as much influence on the outcome as the knowledge and skill of the procurement personnel. Capacity development, an important aspect of development effectiveness thinking, is the subject of massive efforts by several organizations in the development community. However, capacity

¹ Often, data from a logistics management information system are analyzed and disseminated to appropriate parties.

development is considered a long-term approach that must take place in tandem with wider public administration reforms, both within and outside the health sector.

This report concludes with a section called Additional Resources; it includes a list of organizations, information, and tools that individuals and organizations can access to improve their procurement skills and knowledge.

Background

The World Health Organization (WHO) estimates that about one-third of the world's population lack regular access to essential medicines (WHO 2011). Stockouts and shortages of these essential commodities typically result from many interrelated issues, including bottlenecks in the procurement process.

Historically, the development community procured critical public health supplies—such as contraceptives and vaccines—directly for, or on behalf of, developing country health programs; while governments used their own procedures to purchase essential drugs from local or regional sources.

With the recent move to a sector wide approach (SWAp) and basket funding, developing countries are becoming more responsible for procurement. Recognizing that good public procurement systems are central to effective development spending, the Organization for Economic Cooperation and Development (OECD) and the United Nations Development Programme (UNDP) are investing significant time and energy to address procurement issues; and they are urging development partners to use the existing government public sector procurement systems, whenever possible.

Yet, many in the international community now recognize that procurement is one of the weakest links in health supply chains. Many countries have inadequate systems; old, entrenched routines; and a general lack of capacity, as well as other obstacles in the public sector procurement environment. As a result, bottlenecks develop in the first mile of the supply chain and goods are not delivered at the last mile until long after they are needed, if at all.

There are many examples of country governments overcoming these obstacles. This report documents common procurement bottlenecks that these countries faced, as well as the specific interventions they took to address them. These country examples and lessons learned offer practical ways for procurement practitioners to remedy procurement-related problems in their own environment; and they offer insight for other countries trying to resolve their own challenges. The cases highlight examples throughout the procurement cycle, in both centralized and decentralized settings. The examples also reflect the environment or context in which the procurement cycle takes place.

Methodology

This report offers practical guidance to developing countries on addressing essential medicine commodity procurement bottlenecks. To document these examples and the supporting evidence, the USAID | DELIVER PROJECT (1) conducted a desk-based literature review of published documents and online references, (2) held informal discussions with representatives from the international development community, and (3) solicited input from practitioners and stakeholders using postings on relevant e-networking sites.

From these activities, common procurement problems were identified in the context of where they occur in the overall process. Successful resolutions are presented as a set of short case studies; notations tie them to particular steps in the procurement process and specific areas of the national

procurement environment. To draw provisional conclusions, the most prevalent factors and approaches that impacted the successful bottleneck resolutions were identified.

The conclusions were then corroborated with findings from other recent studies. Relevant findings from an extensive Brookings Institute study (Griffin, de Ferranti, and Tolmie 2010) are referenced in this document, as well as supporting guidance from the Department for International Development (DFID) on political economy factors (DFID and World Bank 2009) and the recent work of the OECD/Development Assistance Committee (DAC) Working Party on Aid Effectiveness (OECD/DAC 2011).

Overview: The Procurement Cycle and Bottlenecks

Before discussing strategies to address procurement bottlenecks, it is important to understand the context in which public sector procurement takes place and where bottlenecks commonly occur. This section presents a brief overview of the procurement cycle, the procurement environment, and procurement bottlenecks.

What Is a Procurement Cycle?

A procurement cycle begins with planning the supply of goods that are needed and ends with the delivery to a receiving point and the acceptance of the goods. The cycle includes three interlinked phases: (1) supply planning (includes budgeting and funding), (2) purchasing activity, and (3) contract performance.² Each phase (or stage) includes several steps for approximately 15 sequential actions.

Procurement Environment

The public sector procurement environment includes both core technical components and supporting system components. For procurement, personnel technical capacity, staffing resources, and management expertise are *core components*; while institutional systems, policy and regulations, government leadership, and other factors are *supporting components*. Figure 1 illustrates this procurement environment (Dickens 2008). External services and market issues were added to complete the picture.

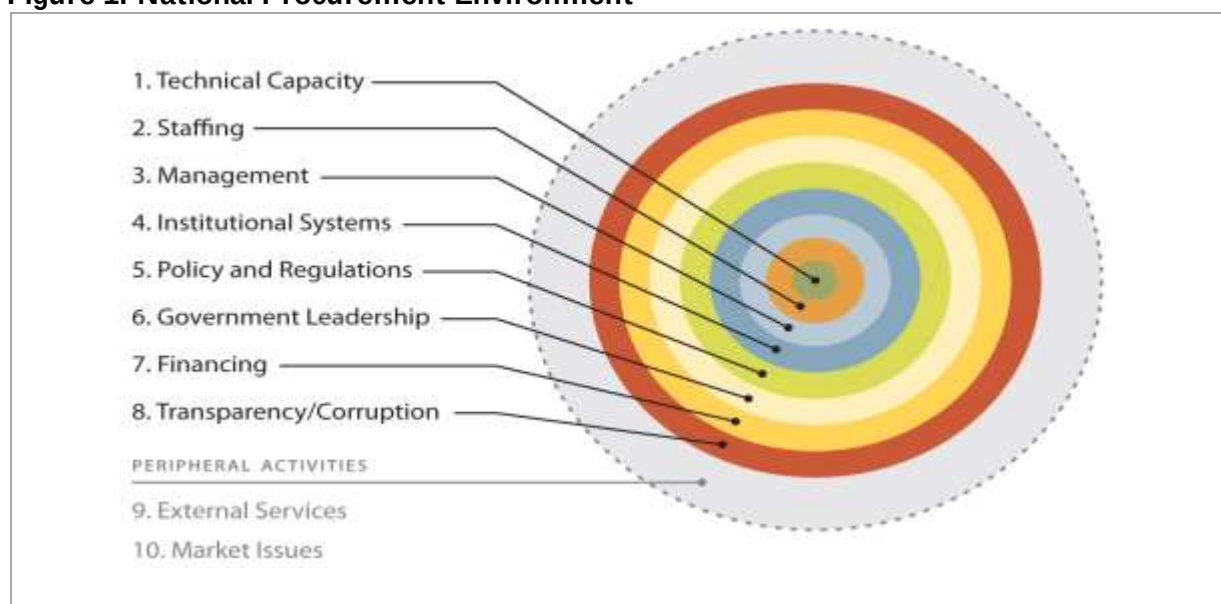
Core Components

Rings 1 and 2—Technical Capacity and Staffing form a central core environment that loosely represents procurement unit personnel; their suitability for the work; and their numbers, in relation to the volume of work to be accomplished.

Ring 3—Management represents the relative stability, efficiency, and effectiveness of the reporting and supervisory chain above and adjacent to the procurement unit.

² To avoid confusing the purchasing activity phase (formerly called the *procurement process*) with the overall procurement process, the names used in this document for each of the three phases vary slightly from earlier works.

Figure 1. National Procurement Environment



Supporting Components

Ring 4—Institutional Systems represent the operational framework in which procurement functions and, more broadly, the systems that affect procurement in some way; such as forecasting, budgeting, and disbursement of funds. Internal and external approval processes (for example, World Bank *No Objection determinations*) are included. Systems comprise computerized and paper-based processes and intangible elements, such as established procedures and norms.

Ring 5—Policy and Regulation comprise laws and guidelines about how and with whom procurement is to be, or can be, conducted. It includes policy and regulations for contiguous functions, such as banking, pharmaceutical licensing, import, and export.

Ring 6—Government Leadership relates to the effectiveness, stability, political practices, and governance attitude of appointed or elected officials—ministers, members of parliament, a president or equivalent; and, in some cases, military officials. These are policy- and decisionmakers.

Ring 7—Financing for procurement refers to government revenue from both internal and external sources, including funds from donor support or development bank loans and agreements. The availability and timing of funds release is also captured here.

Ring 8—Transparency/Corruption refers to the relative visibility, dependability, and honesty of transactions that should facilitate healthy procurement competition.

Peripheral Element 9—External Services represents banking, port clearing, and similar requirements necessary to complete a procurement action.

Peripheral Element 10—Market Issues represents supply and demand anomalies, as well as supplier attitude and performance.

Bottlenecks

Bottlenecks are defined as a constraint or obstacle that limits throughput or the utilization of capacity (CSCMP 2010), resulting in the limited performance of the entire system. In the procurement cycle, bottlenecks often appear as delays, which vary in length, depending on the step in the procurement cycle where the bottleneck occurs. Different types of procurements vary in complexity and length. For example, we would expect a low-value local procurement to be completed in a shorter time than a high-value international competitive bid. Therefore, when diagnosing bottlenecks, it is essential to distinguish between a perceived bottleneck and an actual bottleneck. In some cases, there may be no bottleneck, just an unrealistic expectation of turnaround time. Table 1 lists common procurement bottlenecks and where they occur in the procurement cycle.

Table 1. Common Procurement Bottlenecks

Step	Function	Bottleneck
I. Supply Planning		
1	Define supply requirements	Inaccurate or omitted
2	Complete budgeting and approval process	Budget cycle timing does not match the funding cycle
3	Submit procurement requisitions and specifications	Requisitions not submitted on time Inadequate or missing specifications Specification changes made after purchasing procedures are initiated
4	Release funds to procuring units	Timing does not match resupply needs Mid-term budget cuts; programmed funds withheld
II. Purchasing Activity		
5	Plan the purchasing work: Assess procurement options; plan contract groupings and schedule purchasing work	Slow contract planning by procurement unit (<i>p</i>) Slow work on procurement schedule (<i>p</i>) Delayed input and approval of line supervisor above procurement unit Uncertainty over dates and amount of funds available
6	Prepare bidding documents, obtain approvals	Slow or flawed preparation of draft by procurement unit (<i>p</i>) Slow or flawed decisionmaking at levels above procurement unit Slow processing by funder or monitor
7	Invite offers: Advertise opportunity; provide bidding documents; hold pre-bid meeting; respond to questions by potential bidders	Problems with advertising Bidding document revision required (<i>p</i>) Bid deadline extended to accommodate amendment of bidding documents
8	Select suppliers and obtain approvals: Open bids; prepare preliminary examination worksheet; bid evaluation committee deliberates and makes	Slow preparation of examination worksheet (<i>p</i>) Disagreements with the final results of the evaluation process Slow approval process

	decisions; submit decisions for required approvals	Rejection by monitor based on unsupported decision or flawed process
9	Award contracts: Notify successful bidder; publish results; negotiate minor points; process acceptance and signatures; obtain performance security	Protests by losing bidders Cancellation of bid Irregularity in performance security
10	Arrange payment guarantee: Make down payment, issue letter of credit	Delay in requesting letter of credit or down payment (p) Delay in processing by finance unit or Ministry of Finance Funds not available to collateralize letter of credit, or make down payment

III. Contract Performance

11	Process order and manufacture goods	Raw materials shortage Overbooked manufacturing schedule Distributor issues
12	Perform pre-shipment inspection/testing	Failed or disputed results
13	Deliver to port of entry	Shipping problems
14	Clear goods through customs	Slow processing of documents No access to funds for port fees Irregularities in goods or documents Pharmaceutical registration issues
15	Perform post-shipment inspection/testing	Delayed or failed post-shipment inspection and testing Slow reporting and/or release

(p) = function of procurement unit personnel

Bottleneck Origination

Recently, concerned stakeholders have realized that challenges throughout the national procurement system, and throughout the prevailing political system—for example, the procurement environment—play a large part in bottlenecks.

In the supply process, bottlenecks frequently appear far from the origination point. For example, requisitioned goods that are unusually delayed could mean a funding problem occurring at the beginning of the process instead of during the purchasing activity or a supplier issue.

To address bottlenecks, countries need to identify precisely where in the supply process the problems originate and who is in control of the activity at the bottleneck origination point. For example, while most of the common bottlenecks are clustered in the purchasing activity stage (see table 1), few of the common bottleneck problems in the purchasing activity stage are completely under the control of procurement unit personnel. Attention must be given to the procurement environment—people, issues, and factors outside the core procurement staff—if progress is to be made against procurement cycle bottlenecks.

Case Study Findings and Analysis

For this report, a set of 14 short case studies that illustrate successful bottleneck resolutions were collected. The mix of bottlenecks and resolutions represent a broad range of lessons learned, and come from examples across Africa, Asia, and Latin America and Caribbean. See *Set of Case Studies* in this document for a complete set of country short case studies. Each example has been analyzed and labeled according to the bottleneck theme, the situation and procurement environment where the bottleneck occurred, the resolution action theme, and the outcome from the action taken. See table 2 for the factors from each case.

Table 2. Case Study Analysis

	Situation and Procurement Environment	Resolution Action Theme and Time Horizon	Outcome
Access to Funds	MOH failed to release money (Government Leadership)	Civil society intervention <i>Immediate</i>	Money released
	Potential for diversion of funds (Financing)	Civil society intervention <i>Long term</i>	Monitoring mechanism put in place
	Funds needed before next assured receipt (Financing)	Stakeholder initiative <i>Immediate and long term</i>	Money available for timely purchase
Transparency/Corruption	Money about to be diverted via improper contract award (Transparency/corruption)	Civil society intervention <i>Immediate and long term</i>	Money available for purchase of related medicines
	Strong threat of improper contract award: excessive price of goods (Transparency/corruption)	Civil society intervention <i>Immediate and long term</i>	Threat averted
Blockage in Process	Requisition ignored by procurement staff (Staffing)	Stakeholder initiative <i>Immediate</i>	Goods purchased
	Signature of high official lacking (Government Leadership)	Stakeholder initiative <i>Immediate</i>	Contract finalized
External Systems	Slow processing (External Services)	Civil society intervention <i>Long term</i>	Improved lead time

Slow Process	Cumbersome procurement (Institutional systems, Policy/regulations)	Restructuring <i>Long term</i>	More efficient process
	Cumbersome procurement (Institutional systems, Policy/regulations)	New procurement mechanism <i>Long term</i>	Faster procurement; Money saved
	Cumbersome procurement (Institutional systems, Policy/regulations)	Restructuring <i>Long term</i>	Transparent processes; Public access to information
Small Quantity	Cannot pay for or store normal minimum quantity (Market issues)	Civil society intervention <i>Long term</i>	Regular access to small quantities
	Cannot meet minimum quantity requirements of vendor (Market issues)	Civil society intervention <i>Long term</i>	Regular access to small quantities
Quality	Lack knowledge of quality assurance (QA) measures (Management, Staffing, Technical Capacity)	Stakeholder initiative <i>Long term</i>	QA measures incorporated and implemented

Main Bottleneck Themes

In reviewing the set of short case studies, procurement bottleneck trends were identified around several themes; including access to funds, cumbersome processes, and quality concerns. Although corruption and quality assurance issues were not the most prominent bottleneck theme, these issues were significant threads throughout the literature.

A review of the procurement environment in which the bottlenecks occurred found that most bottlenecks occurred outside the core procurement functions of technical capacity, staffing, and management. This illustrates the importance of considering the people, issues, and factors outside the core procurement staff when diagnosing bottlenecks in the procurement cycle.

Following is a summary of findings from the main bottleneck themes, as identified in table 2.

Access to Funds

Access to funds for executing procurement was the most prevalent bottleneck identified. Digging deeper to identify the root causes revealed that transparency of the budgeting and funding processes and communication hindered access to funds, while donor coordination delayed funds availability.

In two case examples, complex bureaucratic processes and unclear lines of communication had to be navigated and monitored by concerned parties in order to gain access to the decisionmaking groups. Lack of representation in the decisionmaking group for the commodity in question was also a contributing factor. In another case, the donor community acted to bridge the funding gap caused by a delayed release of previously committed aid. Identifying and addressing the underlying issues enabled access to the needed funds, either directly or through an alternate mechanism.

Transparency/Corruption

Competitive bidding and vendor selection are especially vulnerable to bottlenecks resulting from corruption or as part of a tendering process that is not transparent to all participants. This can result in compromised quality, service, or pricing of goods. In addition, it can lead to the inefficient use of resources if, for example, fewer goods can be purchased due to high pricing, or if additional goods must be purchased to replace faulty items.

Two countries provided examples of this type of bottleneck where attempts were made to influence vendor selection away from the most qualified vendor and toward a higher-priced vendor, and, in one case, a vendor who was unqualified. The countries used similar approaches to resolve the issue and to put in place measures to prevent a recurrence. In both cases, civil society and contraceptive security committees intervened to ensure that the selected vendors met the countries' requirements by engaging the media to make the process public and by using data to estimate the potential impact, in terms of dollars and products.

Blockage in Procurement Process

Sometimes bottlenecks result from personnel shortages, limited access to a designated signatory, or lack of clarity around who is authorized to provide approvals. In other cases, signing a document may be a low priority for a busy minister. This type of bottleneck can occur at various organizational levels and at various steps in the procurement process. Such situations can result in delays in order processing and a general inability to move a requisition forward in the procurement process. This, in turn, can result in a backlog of orders, further delaying order execution. In these situations, unless there is intervention, the priorities of the personnel, department, or administrator will dictate how quickly the bottleneck is addressed.

Examples of this type of bottleneck came from two countries. In one case, general staff shortages at the central procurement office resulted in a large backlog of orders for essential equipment and other needed commodities. In another, difficulty in gaining access to a busy high-level official, whose signature was needed on a procurement-related document, delayed the process. In both cases, the affected party acted directly to try to resolve the blockage by sending a representative to assist with carrying out the activity causing the bottleneck. One representative supported procurement office tasks, while the other pursued getting needed signatures of approval.

External Systems

Procurement bottlenecks may also result from delays caused by activities or functions that are outside of the procurement process, but that are required for the process to be completed and the goods to be delivered. Examples include banking transactions and port clearance. This type of bottleneck can pose unique challenges because the bottlenecks are caused by the processes of an organization external to the procurement group, and finding a solution may require an understanding of the external organization's processes.

One country provided an example of a bottleneck with external systems that was related to activities carried out by a procurement agent. In this case, the purchasing activity carried out by an international procurement agency resulted in competitive commodity prices, but the process was

very lengthy. The country's advocates urged the agent to review its processes and work to streamline its internal activities by shortening the ordering lead times for the country.

Slow and Cumbersome Process

Even in systems where good procurement practices—such as competitive bidding—are implemented, bottlenecks can form. The strengths of these systems may include transparency and price competition, but these strengths may be accompanied by complex and lengthy processes. Implementing a new step in one area of procurement can impact the entire process.

Two examples came from countries with bottlenecks that resulted from cumbersome procurement processes. Both were undergoing broad government reforms outside of the health sector. These reforms created a new policy environment that enabled procurement reform to take place within the health sector. Innovative and sustainable solutions were designed and implemented to streamline processes and capture cost and time efficiencies. Significant investments were required to upgrade the systems and the personnel that operate them.

Small Quantity

Bottlenecks associated with small quantity requirements and bulk purchasing can occur at any level of the supply chain, depending on the item needed and the quantity required. Suppliers often have minimum order requirements that may exceed the quantity needed, preferred pricing may be given for bulk orders, or they may charge a premium to fill small quantity orders. For buyers with relatively low quantity requirements, it can be challenging to find a supplier willing to accept and fill small orders, or to fill the order at a competitive price.

Examples of bottlenecks resulting from small quantity requirements came from two countries. In one case, bulk purchasing at the central level caused storage problems for small local facilities because the cartons of goods that were purchased were not broken down into smaller quantities at the central level before distribution. In another case, a small national program faced difficulties supplying its need for small quantities. In both cases, innovative partnerships in the supply chain were created to address these issues.

Quality

Issues with the quality of product procured may result in a bottleneck: the need to repeat the procurement process should the goods not meet established quality standards or not pass quality testing requirements. This type of bottleneck can be linked to steps in all three phases of procurement, including defining product specifications during the supply planning phase; supplier selection during the purchasing phase; and inspection and testing in the contract performance phase.

One country provided an example of addressing quality-related issues. In this case, a training session with local practitioners addressed a knowledge gap on international standards for procurement. The practitioners sought to immediately apply what they learned by ensuring that future contracts were awarded to suppliers based on specific requirements for the country.

Lessons Learned

Champions were the key players in the case studies—a person or group that monitored the problem at hand and pushed for a resolution. Champions included civil society groups and stakeholders in the procurement process. These champions gathered and interpreted information and, sometimes, referred it to others who might be in a better position to act. They monitored funding and supply status, in some cases; and engaged in advocacy, often showing initiative and creativity.

Knowledge of the procurement environment—including systems and policies, and access to reliable information—were the main tools used to address procurement bottlenecks. Innovative and, sometimes, simple solutions that aligned with existing structures were used. Information was used to quantify and highlight the impact of bottlenecks, identify potential issues, and advocate with stakeholders and the public.

Following is a summary of key lessons learned.

Civil society can be a powerful advocate in helping to combat corruption and to unblock bottlenecks caused by government policy decisions and funding priorities.

In examining the actions taken to resolve procurement bottlenecks, interventions by civil society were the most prevalent. These concerned parties were effective in addressing bottlenecks related to corruption and access to funds. In addition, they were instrumental in resolving small quantity requirements by developing a creative supply solution and by helping to negotiate an alliance with a large purchaser outside the government.

As one informant pointed out, an engaged civil society organization can be very helpful in developing community support. “They contact us about things the government doesn’t tell about. This is particularly useful in the case of overly bureaucratic governments.”

The Brookings Institute study (Griffin, de Ferranti, and Tolmie 2010) suggests that having allies within the government is important for improving performance and accountability: “Developing relationships with government officials who are well versed ... can make civic engagement ... more effective.”

Key informants for the study also identified potential hazards in civil society activism. For example, one informant cautioned about the risk of erroneously pursuing an intervention because of faulty information and the importance of understanding the evidence and the context. In advocating for emergency supplies, another informant added, “you need to be very sure you have the correct numbers and an emergency does actually exist.” Negative press coverage after a misstep can make it difficult to be heard the next time.

Stakeholders in the procurement process play a critical role in identifying and resolving bottlenecks.

In several case studies, stakeholders in the procurement process (national partners or practitioners) took action to resolve bottlenecks. Using a new bridge funding mechanism, stakeholders helped to make money available for the timely purchase of bed nets; they also tracked down delayed goods requisitions and collected a high-level signature on procurement documents. They strengthened, accelerated, and increased efficiencies in their own systems; and imparted critical knowledge about quality assurance measures.

Government reforms and restructuring can promote the use of more efficient procurement practices.

In one case study, the health supply system moved from a traditional model to a parastatal model involving management, financing, and institutional systems; and included an electronic procurement information system, and multi-year and framework contracts³. At the same time, a broad government reform process took place outside the health sector to streamline and increase transparency throughout all the government procurement processes. The staffing and technical capacity environments were probably enhanced somewhat because parastatals are not usually bound by civil service pay scales.

Innovative procurement mechanisms can bring efficiencies to processes and pricing

Reverse auctions, multi-year and framework agreements, and pooled procurement helped improve slow and cumbersome procurement cycles, resulting in cost savings for commodities procured with these methods. In another case, a brokered alliance resulted in an agreement that provides the benefits of pooled procurement.

Using technology can help streamline processes and improve transparency.

Using online resources and forums to share information with the public improved the visibility of procurement activities and improved the transparency of processes that were previously considered highly complex. Developing an e-government procurement (e-GP) platform improved public access to government procurement information, as well as enhanced the overall procurement cycle. Mobile technology, although not specifically mentioned, can benefit in-house administrative functions by using efficient communications and an exchange of information.

Accurate and reliable data can be used to quantify the impact of a bottleneck and also help identify potential issues in advance.

Understandable supply data and information on appropriate pricing were critical in improving processes and preventing the misuse of resources. Data helped set competitive price agreements, improve lead times, and prevent stockouts.

A clear understanding of the government systems and current policies can be instructive in devising viable solutions.

Information on government processes, budgets, and funding cycles enabled concerned parties to monitor government activities related to budget requests and the release of funds. With reforms, new policies and structures were leveraged after more efficient processes were developed.

The Brookings Institute study (Griffin, de Ferranti, and Tolmie 2010) mentioned two tools related to budgets and funding that did not appear in the case studies, but that are relevant to the findings.

- Government Finance Statistics system, an international standard for budget classification proposed by the International Monetary Fund (IMF), makes it possible to identify and understand budget details.

³ A framework agreement is an arrangement between the buyer and supplier where both parties agree to the terms of future dealings between them (e.g., volume, price, etc.), without committing to or guaranteeing a specific purchase. A framework agreement may be a multi-year agreement.

- Public Expenditure Tracking Surveys and publicity campaigns have informed entitled recipient organizations what they were entitled to receive; resulting in their demanding and receiving funds that otherwise were being diverted by favoritism and corruption.

Media and communications can be an effective tool to inform and influence positive procurement outcomes.

Press coverage (newspapers and television) was a strong enabling factor in the case studies, both as a tool to influence decisionmakers and to disseminate information to the public. Cases 1–3 are good examples of how public awareness can influence outcome. Mobile phones and the Internet probably had a role in information sharing, as well; but they were not specifically mentioned.

Conclusions

This report revealed measurable value in short-term coping mechanisms and immediate solutions to immediate problems—solutions the practitioner can reasonably use. These approaches typically included a few common critical elements: (1) a champion to monitor or shepherd the process; (2) access to accurate information; (3) use of media or communications, including press coverage; and (4) knowledge of government systems and processes.

For short-term issues, leveraging resources that increase transparency may yield a strong, rapid response. Action by civil society groups, especially contraceptive security committees and disseminating accurate procurement-related information to the public, can be particularly effective in working through these bottlenecks. Innovations in processes that are compatible with the existing system may also be temporary solutions that can be immediately implemented.

System reform and restructuring activities are long-term undertakings. They may be the ideal solution and they are certainly used when restructuring procurement operations; however, they rely on ongoing commitment from high-level government personnel and development partners. For restructuring options, removing procurement operations from the constraints of civil service conditions can be an effective long-term solution for chronic inefficiency at the first mile.

As an important first step in addressing a procurement bottleneck, concerned parties should investigate the source of the bottleneck, including where in the procurement environment it occurred, and who is in control at the point of occurrence. The set of short case studies shows that it is common for bottlenecks to occur in areas of the procurement environment that fall outside the traditional core competency areas of procurement—technical capacity, staffing, and management.

After the problem is identified, the investigating party should engage others who have similar concerns, such as civil society groups and stakeholders, and identify champions who can do something about the situation. All concerned parties should obtain relevant and accurate information to support claims, if possible; and take appropriate action, including leveraging media or communications to inform public awareness and influence outcomes.

While these actions are not guaranteed to resolve the bottleneck, previous experience suggests a positive result.

Set of Case Studies

The set of 14 short case studies that were collected originated across Africa, Asia, and Latin America and Caribbean; however, three were offered on condition of anonymity. This division was not

planned, but was the result of a voluntary response to a request for success stories and the availability of public information.

The cases reflect successes or improvements in both the procurement process and the procurement environment. Some achievements appear to be sustainable in the long run; others may not be, but they are examples of useful short-term solutions.

Case 1: Access to Funds

Region:	Confidential
Procurement Environment:	Government Leadership
Action Theme:	Civil Society Intervention
Champion(s):	Contraceptive Security Committee; Local Midwives
Tools:	Data, Information, Press Coverage

Situation:

Although the basket funds for purchasing contraceptives were budgeted and allocated, they were not accessible. The logistics management information system data showed that shortages and stockouts were imminent if a new procurement was not initiated soon.

Approach:

After exhausting possible resolutions through normal channels of communication to the Ministry of Health (MOH), the local contraceptive security committee and the local midwives' association collaborated on a creative scheme to get the attention of the MOH budget committee. The midwives organized a public march that publicized the impending stockout situation, emphasizing the urgency of the problem.

Outcomes and Lessons Learned:

The local press supported the activists, which ensured that the key messages reached the budget committee. Soon the funds were made available for the needed procurement. This innovative example shows how civil society, including individuals and small groups, can utilize the media to help bring attention to supply problems when normal channels of communication are not effective. This solution shows (1) the value of contraceptive security committees, (2) the value of data and effective communication, and (3) the power of the press. Later, it came to light that the minister had not been informed of the issue, underscoring the importance of effective communication between stakeholders and concerned parties.

Case 2: Access to Funds

Region:	Latin America and Caribbean
Procurement Environment:	Financing
Action Theme:	Civil Society Intervention
Champion(s):	Contraceptive Security Committee
Tools:	Data, Information

Situation:

The budgeting and allocation process in this country was subject to influence by competing interests and potential diversion of funds away from commodity procurement, leaving access to funding and/or provision of critical supplies at risk.

Approach:

This country has a strong contraceptive security (CS) committee. The committee and the MOH were taking steps in parallel to implement safeguards in the system. The CS committee adopted a classic watchdog role: CS members forecast needs and monitor when the government discusses budget requests and when Congress releases funds. Part of the CS activity includes passing this information on the budget and release of funds to the regions, which enables the regions to follow up and take action if there are any delays or problems with the receipt of funds.

Outcome and Lessons Learned:

Civil society can play an important role in monitoring government decisions and relaying important information between different governmental groups and stakeholders. Policies that support the transparency of processes and access to information can help unblock access to funds and reduce risk related to critical supplies.

In this case, the MOH began improving its own forecasting capability, and the government drafted freedom of information laws to enhance transparency around budgeting and financing activities. This solution will probably be able to sustain itself because of the strong commitment of the CS committee, combined with the recent improvements at the MOH and pending government policies.

Case 3: Access to Funds

Region:	Southern Africa
Procurement Environment:	Financing
Action Theme:	Stakeholder Initiative
Champion(s):	Multi-lateral donor and global coalition
Tools:	International Collaboration

Situation:

This country needed to procure a large number of antimalarial long-lasting insecticide-treated bed nets (LLINs) before the rainy season; it had an aid commitment to cover the cost. However, because the actual funds were not yet in place at the time the order should be placed, the procurement could not go forward and the bed nets would not arrive in time to meet the need.

Approach:

The World Bank and other partners worked together with the government to execute an agreement with a new bridge funding mechanism in which a third party facilitates short-term loans to developing country recipients, based on *pending aid commitments*. This enables recipients to avoid stockouts, emergency shipments, and the high costs that can arise when they must wait for funding to replenish supplies of critical commodities. The mechanism is flexible; transactions are structured to accommodate the needs of both the recipients and the donors.

Outcome and Lessons Learned:

The approaching supply bottleneck was resolved by using an innovative funding mechanism to bridge a funding gap. This may be a feasible stop-gap solution for countries caught between a funding promise and an imminent need.

Case 4: Transparency Issues

Region:	Asia
Procurement Environment:	Transparency/Corruption
Action Theme:	Civil Society Intervention
Champion(s):	Local Civil Society Organization
Tools:	Information, Press Coverage

Situation:

During the tendering process for antiretroviral drugs in this country, one of the bidders proposed to reduce its offer price by 50 percent per package; shortly after, they proposed a possible further price reduction to approximately 20 percent of the original price, as part of the producer's global initiative. At the close of the tendering process, it was announced that the goods would be purchased at the 50 percent price reduction, ignoring the additional reduction that was proposed. The total cost of the goods amounted to a difference of several million dollars versus the lowest proposed price.

Approach:

An observant and concerned civil society organization reacted quickly to intervene and try to capture the potential cost savings. The organization and a national TV journalist, met with the government agency overseeing the procurement to better understand the issue. A detailed discussion with the ministry's public relations department led to a review of the proposed bids and subsequent acceptance of the lowest proposed price.

Outcome and Lessons Learned:

Because of this quick civil society action and the support of media representatives, the tender committee re-evaluated the bids and issued an agreement to procure the goods at the lowest proposed price. This resulted in a significant cost savings and, with the funds saved, enabled the procurement of other needed medicines.

Case 5: Transparency Issues

Region:	Confidential
Procurement Environment:	Transparency/Corruption
Action Theme:	Civil Society Intervention
Champion(s):	Contraceptive Security Committee
Tools:	Information and Advertising

Situation:

In this country, a red flag for contraceptive security was raised by a high-level attempt to divert vaccine orders from a qualified international organization to an unqualified local supplier. An official publicly questioned the quality of commodities being purchased through their international procurement agent and urged shifting procurement to an unqualified and higher-priced local supplier. The local contraceptive security (CS) committee was concerned that if this tactic was successful with vaccine procurement, it might be used to divert purchases of other types of commodities, including contraceptives.

Approach:

The CS committee calculated the increased cost associated with procurement through the local agent. They then put a paid advertisement in the local newspaper to draw attention to the potential issue and to advocate for continued use of the current purchasing mechanism.

Outcome and Lessons Learned:

The precaution worked and may have discouraged other attempts to divert commodity procurement; because, after a one-time local purchase, the country returned to the international agent. This may be a sustainable solution with a strong, watchful CS committee and freedom of information laws that make it difficult to interfere with the established supply mechanism in the future.

Case 6: Blockage in Procurement Process

Region:	Southern Africa
Procurement Environment:	Staffing
Action Theme:	Stakeholder Initiative
Champion(s):	District Program Manager
Tools:	Access to Procurement Operation, Internal Knowledge

Situation:

In a specific province in this country, about one-third of provincial primary care clinics could not provide antenatal zidovudine (AZT) for preventing mother-to-child transmission (PMTCT) of HIV because they did not have the hemoglobinometers needed to assess pregnant women for anemia, which was a prerequisite for prescribing AZT. As a result, HIV-positive pregnant women from these clinics were either given an alternative preventative treatment, or were referred to another site that had the necessary equipment to diagnose anemia. In the case of referrals, reaching other clinics can be a hardship for clients, as the region is mountainous with great distances between provincial health clinics, increasing the likelihood that the women will not receive the service.

Although 18 months earlier, the sub-district had placed orders for the hemoglobinometers, procurement was continually held up at the central procurement office. Repeated attempts to procure this and other equipment faced the same delays. The bottleneck was attributed to staff shortages at the central procurement office.

Approach:

The sub-district manager sent her procurement officer to assist at the central office two days a week to offset the shortage of staff. While there, the procurement officer discovered a backlog of unprocessed procurement requisitions from the sub-district that had accumulated at the central office.

Outcome and Lessons Learned:

Because of the sub-district manager's intervention, the much-needed hemoglobinometers were ordered and it arrived at the sub-district; subsequently, all the clinics were able to assess for anemia and provide AZT. Concurrently, other procurement backlogs were processed and other long-delayed equipment began flooding into the sub-district.

Case 7: Blockage in Procurement Process

Region:	Confidential
Procurement Environment:	Government Leadership
Action Theme:	Stakeholder Initiative
Champion(s):	Development Agency
Tools:	Information and Persistence

Situation:

Procurement documents required the signature of a designated official before any requisition could be further processed and orders placed for required goods. The official was known to be in high demand; waiting for a signature through normal channels could cause a significant delay.

Approach:

A high-level development representative presented the documents personally at the official's office to request the needed signature.

Outcome and Lessons Learned:

The documents were signed and the procurement process resumed normally. In this case, persistence eventually paid off. However, this type of high-level, personal intervention cannot be relied on for similar situations. Alternate methods for gaining needed approvals and signatures must be devised.

Case 8: External System Issue

Region:	Latin America and Caribbean
Procurement Environment:	External Services
Action Theme:	Stakeholder Initiative
Champion(s):	Contraceptive Security Committee and Development Partners
Tools:	Performance Monitoring

Situation:

This country engages an international procurement agent to carry out its purchases of contraceptives, enabling it to access quality goods, often at better prices than it can obtain on its own. After some initial difficulties, the process had reportedly become more and more efficient. However, long lead times remained.

Approach:

Recently, development partners have been urged to operate more efficiently and to identify bottlenecks in their own processes. At the urging of this country's contraceptive security committee, the country office of the international procurement agent took action to monitor its performance and streamline its processes.

Outcome and Lessons Learned:

The procurement agent was able to shorten lead times from order to receipt. Because the agent already had supplier agreements in place, delays associated with tendering were minimized. The potential for sustainability of this solution is good because of good communications and improved systems at the development partner level, as well as the country office level.

Case 9: Slow and Cumbersome Procurement Process

Region:	Latin America and Caribbean
Procurement Environment:	Institutional Systems, Policy/Regulations
Action Theme:	Restructuring
Champion(s):	Central Ministry
Tools:	Innovation, e-Procurement, Ongoing Government Reforms

Situation:

In the early 1970s, this country created a traditional but semi-autonomous Central Medical Stores (CMS) for public sector supplies. The CMS is managed independently of the Ministry of Health (MOH). Its autonomy has allowed its management to remain independent of political considerations and to adopt a business management style unconstrained by the terms and conditions of civil service staff.

The CMS purchases contraceptives and essential health commodities from local representatives of international companies, local producers, and directly from the international market. It usually procures at internationally competitive prices. To ensure accountability throughout the procurement process, it outsources to private firms the bid auditing, demand consolidation, prequalification of providers, and quality control processes. Although a robust procurement system had been developed, the processes were considered lengthy and cumbersome.

During the 2000s, reforms were taking place inside and outside the health sector, and the country's health management system was decentralized. At the same time, e-government and procurement reforms were taking place. As part of a public management modernization plan, public procurement was substantially overhauled, eventually leading to new procurement legislation. These reforms helped launch an e-procurement department, which serves all government agencies.

Approach:

Throughout this reform process, the e-procurement department developed its capacity to set up and manage multi-year and framework agreements. By signing such agreements with suppliers of frequently demanded products—such as computers, vehicles, and insurance policies—the e-procurement department developed an expanding electronic catalog from which government agencies can make purchases without incurring the expense and delays of inviting bids. A supplier's goods are offered in the catalog only after a competitive bidding process where suppliers are pre-approved for particular products for an extended period of time and an agreement is put in place that guarantees the entire national procurement over an extended period of time (more than one year). Health regions place their orders for these products through the e-catalog, as-needed, drawing

down on open contracts already bid and negotiated by the e-procurement department. The suppliers then deliver the products directly to the regions.

To further expand the efficiencies realized by the e-procurement department's successful management of multi-year or framework agreements for other product categories, the MOH recently transitioned the procurement function for some essential medicines from the CMS to the e-procurement department. The MOH plans to transition more product categories to the e-procurement department in the coming years; the exceptions are for strategic commodities that are not appropriate for procurement through multi-year or framework agreements or for small quantity procurements. The CMS will continue to procure and distribute many other commodities for the health regions.

Outcome and Lessons Learned:

The government was committed to broad reform to improve transparency and efficiency, and to reduce corruption. These reforms required the government to make a significant investment, as well as receive budget and technical support from bilateral and multilateral donors. The electronic systems that were set up for all government transactions—including procurement—allowed these reforms to take hold. However, challenges still exist, as ongoing efforts to ensure transparent processes may be met with resistance.

Implementing the system also had its challenges. Early on, the MOH did not expect to use the new procurement system; therefore, they were not involved in the redesign process. As a result, when they later started using the system, the lack of a customized information system for health commodities became a challenge—the requirements for health commodities are very different from desks or chairs. Considering future expansion of the system, the MOH should have been involved in the design process.

Capacity building within the e-procurement department was a critical factor for the organization to successfully carry out its e-procurement mandate. To execute and manage the new procurement processes, negotiate multi-year and framework contracts, and manage a growing supplier base, a cadre of procurement professionals with strong procurement and contract management skills was needed. As with any tender process, every detail of the bidding documents and eventual contract must be carefully considered. This is particularly important with multi-year agreements because the terms will continue for the life of the contract.

Case 10: Slow Procurement Process

Region:	Latin America and Caribbean
Procurement Environment:	Institutional Systems, Policy/Regulations
Action Theme:	New Procurement Mechanism
Champion(s):	Government Procurement Authority
Tools:	Innovation

Situation:

To streamline and increase transparency throughout all government procurement processes, this country had a broad government procurement reform process that took place outside the health sector. The Ministry of Health (MOH) does not directly manage the procurement system, but it has been closely involved in customizing it to work effectively for health commodities. The system manages national-level procurements that are aggregated from all public institutions. With the reforms and system in place, opportunities arose for more efficient processes.

Approach:

The country began using reverse auctions⁴ to purchase essential drugs and other strategic goods. The national authority that manages government procurement is strong and has technical experts dedicated to supporting the reverse auction processes. Bidding is open to domestic suppliers, as well as international suppliers that have representation in-country. Precise specifications are a key requirement for the regulatory controls needed in reverse auction procurement. Using a rigorous review process, technical experts ensure quality and appropriate terms and conditions. The organization's process for quality monitoring stipulates that suppliers must pay for quality assurance, which is factored into the suppliers' pricing.

Outcome and Lessons Learned:

The MOH learned that reverse auctions can shorten the procurement time by six months—instead of what previously took eight months to one year, now takes two or three months. It also resulted in lower prices. In 2006, various government agencies, using a reverse auction, pooled their requirements and procured 165 essential medicines; they saved approximately \$14 million. In addition, by delivering commodities directly to the lower levels, suppliers help support the public sector supply chain.

⁴ In a reverse auction, the government sets a price and invites vendors to make offers. At a later stage, bidders gather in person to make their final offers.

Strong management and international recognition will support the country's long-term efforts for sustainability.

Case 11: Cumbersome Procurement Process

Region:	East Africa
Procurement Environment:	Institutional Systems, Policy/Regulations
Action Theme:	Restructuring
Champion(s):	Central Government
Tools:	Information, Performance Monitoring, Ongoing Government Reforms

Situation:

Throughout the 1990s in this country, reforms were taking place in the public health sector, including establishment of a central medical supplies management unit to act as the exclusive supplier of drugs and medical supplies to public health facilities. However, procurement of goods in the public health sector faced common procurement bottlenecks, including those related to low transparency issues, institutional capacity, and a tendering process that was bureaucratic and difficult to navigate. Broad reform of public procurement began shortly after, resulting in the enactment of a new set of national procurement regulations, based on international standards; and the development of a system for ongoing monitoring of procurement activity.

Approach:

Government leadership provided structure and vision for broad reforms in the health sector in the form of a formal strategic plan. Periodic assessment, and ongoing monitoring and evaluation of the country's systems, were key to continuous improvement. They led to further reforms, including moving from a centralized to decentralized procurement system, and establishing a regulatory agency to oversee public procurement, including procurement for health, to ensure that government bodies comply with the new procurement legislation.

The regulatory agency was charged with monitoring regulatory compliance and providing leadership specific to procurement operations. The agency aims to support the public procurement system by implementing measures that ensure fairness and transparency, monitor performance, and ensure proper use of public funds. It works to simplify the tendering process by standardizing bidding documents, procurement guidelines, and procedural forms; and to make the system more accessible by developing and maintaining a procurement management information system open to the public. The agency also supports capacity building in the system through professional development plans and establishing a national certification scheme for procurement specialists.

Outcome and Lessons Learned:

The government has undertaken ambitious reform programs in the health sector, and has supported efforts to develop model systems in the procurement area. The country has developed and implemented a procurement monitoring system to support continuous improvement and ensure an effective and efficient public procurement system.

Establishment of a publicly accessible website containing information on public procurement opportunities, awards, and other relevant data, helps address issues related to transparency and corruption in public procurement. The site is also used to publish performance monitoring results, as well as a comprehensive archive of news bulletins and stories related to public procurement. According to a recent evaluation report, 73 percent of entities procuring in the public sector are complying with the new procurement legislation, up from 50 percent three years ago. Although the noted improvements in compliance are not specific to the procurement of health care commodities, there is evidence that availability of goods has been strengthened through improved procurement performance—in recent years, reports have shown an improvement in the supply of pharmaceuticals and medical goods in public health facilities.

While challenges remain that continue to create common procurement bottlenecks, progress has been made in addressing them; and the country recognizes that continually improving the system is part of the process of creating long-term, sustainable solutions. As such, prospects for maintaining and further improving the public health procurement system are good.

Case 12: Small Quantity Requirement

Region:	East Africa
Procurement Environment:	Market Issues
Action Theme:	Civil Society Intervention
Champion(s):	Contractor Local Hire
Tools:	Innovation, Agreement of Funder

Situation:

This country took advantage of preferred pricing by using bulk purchasing for certain commodities at the central level. This poses no problem for large facilities; however, small facilities cannot handle the large quantities that are supplied, as described in the following example for syringes.

A generally accepted policy for injection safety is to supply one sharps container for every 100 syringes. All health facilities use at least 3 or 4 different syringe sizes. Each size of syringe is packaged 100 per carton; sharps containers are packaged 25 per carton because they are bulky. The Central Medical Stores (CMS) purchases and then supplies its clients with goods in full cartons. Large facilities can handle the bulky cartons because they give many injections each day. However, it is difficult for small facilities that give only 15–20 injections total per week and need several different syringe sizes for these few injections. For smaller facilities, a supply of 300 syringes (100 each of three sizes) and 25 or more sharps containers would not only cause a storage problem, but the cost would significantly impact the budget available for purchasing supplies.

Approach:

The solution for this problem came from a local source with local knowledge—a pharmacist hired by a government contractor to work on an injection safety project.

Part of the solution was for small facilities to discontinue using the central supply service; instead they would use their revolving cash recovery funds to purchase syringes locally from small private pharmacies. A reasonable solution for purchasing small quantities of sharps containers was not as simple because they were *only* available from the CMS. An agreement was made between the injection safety project (which was already providing the sharps containers free to CMS) and local pharmacies as a quasi-public/private partnership. The project gave each participating small pharmacy a carton of 25 sharps containers; the pharmacies sold them one at a time to small medical facilities at \$1.00 each, which the pharmacy kept in return for maintaining the stock.

Outcome and Lessons Learned:

This approach relieved the storage and cost problem for small health facilities and the arrangement released the CMS from the potential cost and trouble of unpacking the large cartons and shipping single boxes—which would almost certainly become a different bottleneck.

This arrangement may or may not be sustained; depending on the reliability of the resupply arrangements and/or the desire of local pharmacy level to continue to comply with the arrangement.

Case 13: Small Quantity Requirement

Region:	Latin America and Caribbean
Procurement Environment:	Market Issues
Action Theme:	Civil Society Intervention
Champion(s):	Contraceptive Security Committee
Tools:	Advocacy, Negotiated Alliance

Situation:

Until recently, this country government had a program to provide contraceptives to the private sector for health services, as part of social security. The quantities required were relatively small, and the program found it difficult to engage a supplier for the goods.

Approach:

The Ministry of Health (MOH) was also procuring contraceptives, but for the public sector, and in much larger quantities than the small program. The local contraceptive security committee recognized the opportunity to leverage the purchasing needs of the two government programs. The contraceptive security committee stepped in and negotiated an alliance between the national program and the MOH, creating a joint agreement with their international procurement agent.

Outcome and Lessons Learned:

This approach enabled the small national program to purchase contraceptives through the international agent at the prices guaranteed to the MOH. The MOH and the national program receive independent shipments, but they share a joint agreement with the procurement agent. Alliances and advocacy were used to structure a procurement agreement that supports both programs' commodity needs.

Case 14: Quality Concerns

Region:	Asia
Procurement Environment:	Technical Capacity, Staffing, Management
Action Theme:	Stakeholder Initiative
Champion(s):	Multi-lateral Donor and Local Pharmacists
Tools:	Information

Situation:

During a donor-sponsored training in this country, the trainers realized that international standards for quality assurance in procurement were not being followed. For example, contracts were going to companies that had not been certified or registered in that country, nor in other countries. This could result in procurement of substandard goods, and a need to repeat the procurement process to replace goods that did not meet quality standards. A follow-on training had already been scheduled for later in the year.

Approach:

A second training session was designed to address international standards for procurement, including quality assurance. In this country, procurement of medicines and medical supplies is done both at the central level and at the district level, where pharmacists buy medicines locally for hospitals. For this training, pharmacists from the districts learned how to select bids, based on quality as well as price.

Outcome and Lessons Learned:

Following the training, the pharmacists applied their newly gained knowledge of procurement and submitted several concrete recommendations to the Ministry of Health (MOH) to improve the tendering process; the MOH took steps to implement the recommendations. The two groups began working together to improve the procurement process. If the communication and collaboration continue, this solution may be sustainable in the long run, and possibly foster continuous improvement of the system.

Addendum: Capacity Development

The set of case studies in this document does not mention capacity development, which has traditionally centered on training procurement staff; sometimes, their managers; and, very occasionally, decisionmakers. The international development community delivered various types of training to many procurement-oriented personnel throughout the developing world, but with little long-term impact on chronic supply system bottlenecks.

New thinking in the international community has acknowledged the need for capacity building at three levels, not just one. These three levels are seen as mutually interactive, with each level influencing the others (Jensen 2009):

1. individual skills and knowledge
2. national/organizational policies and procedures
3. enabling environment.

During the past several years, a series of high-level forums, organized by OECD and the development community, has approached capacity development as a long-term effort that needs to be embedded in broader change processes. Current work by the OECD/DAC task force on procurement finds that “first-generation reforms, including institutional and legislative issues, have progressed significantly in many countries. There is need for a new focus on second generation reforms, including HR development and retention...” (OECD May, 2011)

Individual Skills and Knowledge

The Brookings Institute study (Griffin, de Ferranti, and Tolmie 2010) offers, “inefficiency is often the result of unqualified staff performing functions beyond their capacity.” One popular suggestion for improving procurement is to professionalize it, which has occurred with the accounting profession. With numerous organizations working toward this goal, resources have never been better for motivated personnel to improve their skills and knowledge. See the Additional Resources section for a list of organizations, information, and tools.

National/Organizational Policies and Procedures

New policies and procedures at the national or organization level can shape capacity development needs. Reforming the procurement organization, decentralizing, and introducing flexible contract types are examples of high-level changes that may require new skills, specialized knowledge, or a different management approach.

Procurement reform often results in broad changes to policy, organization, and processes. The resulting new roles and responsibilities may mean new job requirements; and, often, the need for upgraded skills, both for management and at the lower levels. In addition, the organization must be able to effectively communicate to all members and partners how the new system functions.

The movement toward decentralization has put enormous demands on capacity development and compliance monitoring. The health sector is especially vulnerable to poorly managed procurement and procurement contracts because of its pharmaceutical quality assurance requirements and regular resupply needs. Suggestions for addressing the procurement challenges created by decentralization include pooled procurement and multi-year and framework agreements managed at the central level, and using procurement agents, all requiring central coordination and strong procurement and contract management skills.

Flexible, multi-year contracts provide important flexibility in procurement. However, their implementation in public health systems has been impeded by restrictive policies and a limited ability to effectively execute and manage them. Policies that support the use of more efficient contract mechanisms are needed, accompanied by procurement personnel with strong contract management skills and a solid understanding of applicable donor/funder rules, registration requirements, quality assurance requirements, and others.

Enabling Environment

The OECD/DAC's most recent work on strengthening country procurement systems concludes that, "the solution rarely lies with the capacities of individual or with technical fixes *but in the political or organizational environment*." This is reiterated in the Department for International Development (DFID's) discussion of political economic factors in its *How-to Note: Political Economy Analysis* (DFID and World Bank 2009):

...[PEA] gets beneath the formal structures to reveal the underlying interests, incentives and institutions that enable or frustrate change. Such insights are important if we are to advance challenging agendas around governance, economic growth and *service delivery*, which experience has shown do not lend themselves to technical solutions alone.

...by better understanding the political constraints that partner governments face, we can work more effectively with them to identify *second best* reforms in key sectors like health, education and roads.

Values and mindsets found in the civil service environment have a large impact on supply chain functioning, including the procurement cycle. Eventually, civil service and broader political reforms should make a difference.

Meanwhile, the development community has discovered the value of civil society watching over government procurement and supply operations, and engaging with government agencies. Enabling, informing, and supporting appropriate civil society organizations, including commodity security committees, may be an effective option in situations when conventional reform efforts are unlikely to deliver near-term results.

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Additional Resources

Associations and Networks

Chartered Institute of Purchasing and Supply (CIPS)

www.cips.org

This international organization, based in the United Kingdom and serving the purchasing and supply profession, is dedicated to promoting good practice through training, study, business solutions, and research. The United Nations Development Programme (UNDP) offers CIPS training and certification to individuals and procurement organizations in developing countries.

Electronic Network for Procurement Practitioners (e-Nepp)

www.enepp.net

An online platform where procurement practitioners can share knowledge and experiences.

International Association of Public Health Logisticians (IAPHL)

www.iaphl.org

This community of practice, established through the USAID | DELIVER PROJECT, provides public health supply chain professionals with a platform to share experiences and seek advice. It offers access to tools, case studies, and other resources; and organizes facilitated discussions on specific topics, providing an accessible link to supply chain experts in other countries.

People that Deliver

www.peoplethatdeliver.com

This joint initiative by USAID and the Reproductive Health Supplies Coalition (RHCS) includes a broad group of governments and organizations that promote and implement the professionalization of public health supply chain management.

United Nations Procurement Capacity Development Centre

www.unpcdc.org

Part of the UNDP Capacity Development Group, the center provides advocacy and field-based advisory support services, guidance materials, tools, methodologies, and approaches related to procurement capacity development.

Tools and Other Resources

Methodology for Assessing Procurement Systems (MAPS) (also known as Assessment Methodology for Procurement Systems)

www.oecd.org/dataoecd/50/33/45181522.pdf

A joint World Bank and Organization for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) procurement round table initiative provides guidance for improving procurement systems. The Methodology for Assessment of Procurement Systems (MAPS), a common tool, can be used by developing countries and donors to assess the quality and effectiveness of procurement systems.

Procurement Capacity Development Guidelines (CD4)

<http://www.unpcdc.org/home/procurement-guide.aspx>

This practical how to guide can be used to replicate the procurement capacity development and reform processes at the national, sector, or entity level. It is compatible with the Organization for Economic Cooperation and Development's (OECD) Methodology for Assessment of Procurement Systems (MAPs).

Procurement and Supply Management (PSM) Toolbox

www.psmtoolbox.org.

Developed by the World Health Organization (WHO) AIDS Medicines and Diagnostics Service (AMDS) and its partners, this platform provides access to procurement and supply management (PSM) tools through the Internet. It has evolved into a database offering up-to-date tools and self-study courses.

For more information, please visit deliver.jsi.com.

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