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EXECUTIVE SUMMARY: EVALUATION OF COUNTRY-LEVEL CONSTRAINTS IN ACCESSING FINANCING FOR THE PROCUREMENT OF NATIONALLY FUNDED MNCH COMMODITIES

August 2015

This publication was produced at the request of the United States Agency for International Development. It was prepared independently by Financing for Development Corp. (F4D) with support from Crown Agents Ltd. and John Snow, Inc.

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Final Report, Findings and Analysis for Parts I and II

August 2015

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EXECUTIVE SUMMARY

EVALUATION PURPOSE AND EVALUATION QUESTIONS

As the 2015 deadline to the Millennium Development Goals (MDGs) fast approaches, evidence suggests there is an urgent need to accelerate progress on improving the health of women and children, as outlined in USAID's Vision for Ending Preventable Maternal Mortality, the UN-Secretary General's Global Strategy for Women and Children's Health, the Every Woman, Every Child (EWEC) initiative, and the Global Financing Facility. Given that national governments typically fund the procurement of maternal, newborn and child health (MNCH) commodities from their own national budgets, there is a risk that there will not be enough funding available at the right time, resulting in procurement inefficiencies such as insufficient purchase volumes or quality issues. The findings of this analysis suggest that a working capital facility may be a useful tool in improving timely access to funding and helping national governments improve MNCH outcomes.

With support from USAID and the RMNCH Trust Fund, F4D—in partnership with Crown Agents and JSI as third-party validators—has undertaken a study to evaluate these assumptions, measure the scope of the challenges, and determine whether a working capital facility might be an appropriate solution for these challenges.

UNCoLSC Commodities

1. Oxytocin
2. Misoprostol
3. Magnesium Sulfate
4. Injectable Antibiotics
5. Antenatal Corticosteroids
6. Female Condoms
7. Contraceptive Implants
8. Emergency Contraception
9. Chlorhexidine
10. Resuscitation Devices
11. Amoxicillin
12. Oral Rehydration Salts
13. Zinc

EVALUATION QUESTIONS, DESIGN, METHODS AND LIMITATIONS

The study focuses on the UN Commission on Life-Saving Commodities for Women and Children (UNCoLSC) list of 13 underutilized life-saving commodities, with a particular emphasis on the 10 MNCH commodities. It includes data and information for USAID's 24 priority *Ending Preventable Child and Maternal Deaths* countries:

East Africa	***West/South Africa***	***Asia/Middle East/LAC***
Democratic Republic of Congo	Ghana	Bangladesh
Ethiopia	Liberia	India
Kenya	Mali	Indonesia
Rwanda	Nigeria	Nepal
South Sudan	Senegal	Afghanistan
Tanzania	Madagascar	Pakistan
Uganda	Malawi	Yemen
Zambia	Mozambique	Haiti

In all instances possible, the analysis focuses on the following two subsets of countries:

Tier 1 countries: DRC, Ethiopia, Zambia, Mozambique and Tanzania

Tier 2 countries: Malawi, Ghana, Nigeria, Rwanda, Uganda and Liberia

However, it is important to note that, as this exercise was part of a larger analysis to include 31 countries in total, some figures included are representative of a larger country set.[1]

F4D and its partners have produced a framework for analysis of the 31 country case studies and developed tools to help compile the necessary data and elicit findings for the research questions. These tools include: (1) a questionnaire to cover the wider aspects of procurement finance management and health systems strengthening as well as the specific areas included in the study; (2) a list of questions for face-to-face and phone/Skype interviews for follow-on discussions; (3) a priority list of contacts for each country covered in the study; (4) a template for data collating and analysis; and (5) a literature and desk review of available information to substantiate and supplement the findings from the questionnaires and interviews.

This study is on based reviews of existing literature, feedback from questionnaires, telephone consultations, and face-to-face interviews with a wide range of stakeholders, including officials from Ministries of Health, Ministries of Finance, and Central Medical Stores and other health and procurement professionals. The data principally reflects respondents' best knowledge and perceptions of procurement, financing and health programming operations in their respective countries.

Information in the form of survey responses or interview participation was received from 60 individual respondents from the following 23 countries: Democratic Republic of the Congo, Ethiopia, Mozambique, Tanzania, Zambia, Liberia, Nigeria, Uganda, Kenya, Madagascar, Mali, Senegal, South Sudan, Afghanistan, Bangladesh, Haiti, India, Colombia, the Dominican Republic, Guatemala, Honduras, Mexico and Paraguay. Responses were not received from the following countries: Ghana, Rwanda, Malawi, Indonesia, Nepal, Pakistan, Yemen and the Philippines.

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Findings & Conclusions

F4D received information from 23 of the 31 countries that were covered in the study (see section IV below), representing 74 percent of the entire sample size. Based principally on the perceptions and opinions of experts in Ministries of Health and Finance surveyed, a number of themes emerged from the study:

- Virtually all countries primarily use national budgets to fund MNCH procurements, and RH commodities are comparatively more often financed by donor funds;
- A significant number of respondents say that procurement and national budgetary funding cycles do not match;
- Late funding and procurement inefficiencies are cited as a cause of stockouts of MNCH commodities;
- As a result, commodities procured with funds from national budgets are more likely to be last-minute procurements that results in extra costs;
- A majority of respondents said that price and weakness in their procurement and regulatory systems are the causes of procurements of non-quality assured supplies.

In addition, most respondents indicated that they are interested in engaging more with International Procurement Agencies (IPAs), and a considerable number do not think their fees are a barrier.

[1] Afghanistan, Bangladesh, Colombia, Democratic Republic of Congo, Dominican Republic, Ethiopia, Ghana, Guatemala, Haiti, Honduras, India, Indonesia, Kenya, Liberia, Madagascar, Malawi, Mali, Mexico, Mozambique, Nepal, Nigeria, Pakistan, Paraguay, Philippines, Rwanda, Senegal, South Sudan, Tanzania, Uganda, Yemen, Zambia

However, they do not typically engage with IPAs because delayed funding causes an inability to meet IPA requirements to pay in advance.

Finally, many respondents believed that a working capital facility that enables national governments to pre-finance procurement using IPAs could help improve the overall efficiency of procurement.

Question 1: Is there a problem? Is access to financing a problem in procurement of the commodities? Does lack of access to financing lead to higher costs and/or lower quality?

- **Nationally funded procurements are more difficult**. Most respondents said that those commodities procured through national funds (primarily MNCH commodities) were more difficult (i.e., they are not able to procure what they need when they need it) to procure than those funded by international donors (primarily RH commodities).
- **Nationally funded procurements have more stockouts**. They also said that commodities procured using national funds were more likely to incur stockouts and/or last-minute procurement that resulted in extra costs than those procured with funds from international donors.
- **Limited access to funding in national procurements leads to different outcomes**. Respondents also confirmed that access to finance is a central problem in commodity procurement, and it is clear that the source of funding (i.e., national vs. donor) does lead to different outcomes in terms of predictable procurement and consumer-level access, with donor-funded procurements generally being more accessible and predictable.

Question 2: What causes the problem?

- **Adequacy of funding vs. timing of funding**. The first challenge in answering this question is getting beyond whether there is adequate funding overall for procurement of the commodities (all respondents identified inadequate funding as the primary issue in procuring commodities), and focusing on whether mismatches in the timing of funding leads to insufficient volumes being procured and/or to quality issues with the commodities procured.
- **Mismatches between budget and procurement**. Forty-five of the 60 respondents (75 percent) did note that there were often mismatches in budget and procurement cycles, leading to frequent stockouts and/or emergency procurement that resulted in extra costs in certain commodity categories–the second most common reason for difficulties after insufficient levels of funding overall. Of those that experienced emergency procurement, 67 percent stated it was becoming more frequent with the increased pressure on domestic resources.
- **Late government disbursement**. Fifty of the 60 respondents (83 percent) said that late government disbursements contribute to the inability to procure on time, and 18 of the 60 respondents (30 percent) said that late government disbursement often or always contributed to an inability to procure.
- **Inefficiency of procurement**. The third most common reason cited for an inability to procure on time was inefficiency in the procurement process itself (e.g., bureaucratic hurdles resulting in delayed response times, protracted production or shipping times, stockouts at the supplier level, etc.), with all 60 of the respondents citing such inefficiencies as sometimes contributing to the problem, and 36 respondents (60 percent) saying that it often or always contributed to the problem. These inefficiencies can lead to quality problems as well if government procurement or regulatory authorities do not have policies and procedures in place to ensure quality.

- **Weak procurement and supply management**. However, there are other reasons for stockouts. For example, national procurement and supply systems are sometimes weak and result in poor storage conditions, such as overstocking in central medical stores and stockouts in remote areas. Inefficient national procurement, distribution and supply chain systems may lead to the development of parallel mechanisms to procure drugs and devices, thereby further reducing efficiency. Another challenge is the lack of coordinated implementation and information exchange between the private and public sectors, across countries, and between local, national and global levels.

- **Poor regulatory and procurement capacity**. Many countries use bidding processes where the lowest bidder is awarded the supply contract if it has the requisite qualifications and fulfills the specifications in the tender. Respondents claim that in instances where the government does not procure quality commodities, 40 percent of the time the reason is poor regulatory and procurement capacity. Even if the right quality specifications were included in tenders, national capacity to enforce pharmacovigilance may be insufficient.

Question 3: How big of a problem is it?

- **There is significant unmet demand for MNCH commodities**. In conjunction with the third-party market analyses via JSI and Crown Agents, F4D has been working with additional stakeholders to gain an understanding of the potential demand for MNCH commodity procurement at the national level. In total, CHAI estimates that there is an annual procurement need of approximately US $514 million in UNCoLSC commodities across available countries, with an estimated US $128 million in annual procurement demand. Of this, nearly US $70 million is demand for MNCH commodities and over US $500 million is need for MNCH commodities. The variance between these two estimates, approximately US $400 million, represents an unmet need for end users of these life-saving MNCH commodities.

- **Funding is very often not available at the right time**. Respondents from 21 of the 23 countries (91 percent) surveyed confirmed they have a problem with access to funding *at the right time*. While the data in the first point above points to the fact that many countries simply do not have *enough funding overall* to procure the commodities that they need, the second points to the fact that even when countries do have funding available, the timing of the availability of that funding also has an impact on their ability to procure what they need.

Question 4: Would a working capital facility be an appropriate solution?

- **Improve mismatched funding cycles**. According to the results of the study, mismatches in budget cycles do affect country procurements, indicating that financing to bridge those mismatches could solve this particular problem.

- **Improve access to IPAs**. All 60 of the individual respondents cited inefficient national procurement practices as contributing to emergency procurements to avoid stockouts, and a significant number of the respondents attributed procurement of non-quality-assured commodities to price constraints (28 of the 60, or 47 percent) and to poor regulatory and procurement systems (24 of the 60, or 40 percent). Engagement with IPAs could help countries to alleviate emergency procurements, stockouts and quality issues, as IPAs only engage with quality-assured suppliers and have enough purchasing power to ensure access to timely, efficient procurement of quality goods.

  Importantly, 13 of the 23 countries (57 percent) surveyed responded that they are interested in engaging more with IPAs, and 10 of the 23 countries (44 percent) say that the IPA fees would not be a barrier to using their services. However, 13 of the countries (57 percent) said that they usually would not be able to engage with IPAs as a direct result of the fact that the delays in

funding resulting from their own budgetary cycle mismatches do not allow them to pay IPAs in advance, as they require. Therefore, access to a working capital facility, used to facilitate procurements through IPAs, could be an appropriate solution to the problems outlined above.

Finally, in determining whether a working capital facility would be a useful solution to some of the procurement problems outlined, the lack of access to funding as a result of budget mismatches must be weighed against a general lack of funding. An overall lack of funding for RH, MNCH and the health sector in general is a common message that surfaced during the course of the study across all geographic regions. In many countries, the level of funding directed towards public health–and specifically toward health commodities–is simply not sufficient to support the needs of the population. Even when good quality national commodity forecasts are developed, they may need to be downwardly adjusted to accommodate budget ceilings. Constraints in government budgets and conflicting priorities in public spending, along with delayed payments/release of funds, are cross-cutting issues in a large number of the countries studied and across all of the regions. Therefore, while applicability would certainly vary by country, such a facility could be of value for a considerable number of countries where budget mismatches or where lack of access to quality commodities is a central issue, and where governments have policies and procedures in place that would allow them to take advantage of such a facility.

Emerging Questions Recommended for Further Study

1. **Do emergency procurements become necessary due to inadequate funding, poorly timed funding or some combination of the two?** The overwhelming reason given for emergency procurements (that are necessary to avoid stockouts, but that result in extra costs) was an "insufficient level of funding for procurement of required products, in the right quantity and quality." More work needs to be done to determine whether the answer to this question actually relates to the timing of funding availability, or whether respondents simply felt that not enough funding overall was available for procurement of commodities.

2. **Are the small number of quality claims indicative of a lack of quality assurance programming or a lack of quality issues?** Fifty-two of the 60 respondents (87 percent) stated that they had not filed any quality claims against MNCH commodity suppliers within the last year, suggesting that this is not a major issue in the majority of the focus countries. However, this may not necessarily indicate the lack of a quality problem, but rather a lack of quality assurance programs and pharmacovigilance sufficient to identify a quality problem. Further work in this area should examine quality testing rates and examined purity levels among respondent countries throughout their continuum of care.

3. **What is a "competitive price"?** By individual commodity, 18-38 percent of respondents stated that they were unable to receive competitive pricing by procuring directly through their domestic procurement entities. However, there is a general lack of pricing transparency across countries, commodities and suppliers, and it is unclear whether respondents' *perception* of a competitive price actually represents a truly competitive price. Further work in this area would examine prices received for each of the 10 commodities across the focus countries from multiple supplier tenders, and determine a benchmark price that is deemed competitive in each market. Then, a more objective view of competitive price receipt can be examined by comparing price received vs. benchmark competitive price.

4. **What (if any) national policies are in place that would prevent efficient and timely procurement of health commodities?** Finally, when asked if there were national policies in place that prevented efficient and timely procurement of health commodities, many respondents reported that there were not. However, there is the potential for bias when answering this question, depending upon the position of the respondent, given that most are senior officers in the Ministries of Health and Finance, and thus, responsible for setting policy. Therefore, it may

be the case that there are policies in place that do prevent funding from being available for MNCH commodity procurement; however, the respondents may not be aware of them, or they may not be aware of any resulting negative effects on procurement.

Key

Was there a challenge with access to capital at the right time	No issues	Moderate issues	Frequent issues	Critical issue	Unknown
Was there appetite for a Revolving Fund solution	None	Weak	Moderate	Strong	Unknown

Country Mapping[2]

Country	Challenges					Appetite for revolving fund	Additional Comments
	Quality	Supply	Price	Timing of fund release	Lack of overall funding		
Afghanistan							In principle, the procurement cycle matches the government funding cycle. However, sometimes funding is delayed, causing the cycles to be mismatched.
Bangladesh							The procurement cycle matches the government funding cycle. Local health managers are capable of meeting emergency situations. High out-of-pocket expenditures by consumers for RMNCH.
Colombia							Cash flow is a key concern for the IPSes (healthcare providers) who conduct their own decentralized procurement (within the national health insurance scheme). Low quantity of EmONC kits purchased centrally.
Dominican Republic							Relatively strong essential medicines management organization (PROMESE/CAL). FP products are procured by the ministry (not by PROMESE/CAL) and may be an opportunity for revolving fund support.
DRC							Limited government involvement with procurement of commodities. Primarily done via FEDECAME, a parastatal organization with financial problems. There are supply chain issues at all levels of the supply chain.

[2] While a questionnaire response was received from Mali, there was not enough information included in the response to be included in this table.

Key

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Was there appetite for a Revolving Fund solution	None	Weak	Moderate	Strong	Unknown

Country	Challenges					Appetite for revolving fund	Additional Comments
	Quality	Supply	Price	Timing of fund release	Lack of overall funding		
							Procurement of many of the products by donors (and donations), but the vision of the international community is to get the government more involved by increasing capacity for domestic funding/procurement.
Ethiopia							Delayed release of funds from the MDG Pooled Fund results in inefficient procurement of RMNCH commodities.
Guatemala							Limited overall funding for health and health products. Insufficient funding for the execution units (which conduct their own decentralized procurement). Misalignment of funding and procurement cycles for central-level and lower-level procurements.
Haiti							Public sector procurement and supply chain management is primarily conducted by donors and implementing partners. The national essential medicines management unit is managed by PAHO/WHO.
Honduras							Limited overall funding for health and health products. Misalignment of funding and procurement cycles.
India							Links with budget planning are weak, and plans are not required to match the budgetary allocation available before expenses are committed.
Kenya							The issues do not appear to be applicable in Kenya.

Key

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Country	Challenges					Appetite for revolving fund	Additional Comments
	Quality	Supply	Price	Timing of fund release	Lack of overall funding		
Liberia							The government is not actively involved in the procurement of RMNCH commodities.
Madagascar							Links with budget planning are weak, and plans are not required to match the budgetary allocation available before expenses are committed.
Mexico							State-level procurement and supply chain challenges in the state of Chiapas are serious, but access to capital is not their primary driver. FP products are procured centrally in Mexico DF and shipped to states; there is potential for state-level procurement of these FP products, which could be supported by a revolving fund.
Mozambique							Procurement cycle is long, making it difficult to match with budgeting process.
Nigeria							Late release of funds and non-roll-over of budget to following year is a problem.
Paraguay							There is limited funding available for RMNCH products overall. Frequent delays in receiving funds leads to delays in placing orders and product shortages.
Senegal							The Pharmacie Nationale d'Appro (PNA) pre-funds procurements, with cost recovery after products are distributed to health centers.

Key

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Was there appetite for a Revolving Fund solution	None	Weak	Moderate	Strong	Unknown

Country	Challenges					Appetite for revolving fund	Additional Comments
	Quality	Supply	Price	Timing of fund release	Lack of overall funding		
South Sudan							There are no links between procurement plans and the budget formulation process. There is some evidence of corruption in the system.
Tanzania							Most funding for MNCH commodities is dependent on development partners' basket funding. Political issues have often delayed the disbursement of funds, causing repetitive emergency procurement.
Uganda							There is limited budget support to the health sector (including RMNCH). The timing of funds release is not the primary issue.
Zambia							There is a general lack of central government funds for MNCH. The release of funds for MNCH commodity procurement is often late, leading to stockouts.

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