

EL SALVADOR: Improving Pharmaceutical Procurement

Problem: In El Salvador, the 2001 SEAM assessment found that some essential medications were lacking in both public health care facilities and those of nongovernmental organizations (NGOs). At the Ministry of Public Health and Social Welfare (MSPAS), purchasing had been decentralized, decreasing the ability to negotiate prices for pharmaceuticals in large volume and providing little management capacity for inventory management. Though the NGO sector was small, these organizations provided services in rural areas that did not have access to MSPAS services. Because they bought small volumes, these organizations could not negotiate favorable prices for their medicines, which limited the availability of essential medicines. One of the most significant assessment findings was the low quality of medications. Of 87 products sampled, 35 percent were substandard. In the MSPAS facilities, 50 percent of the medication samples did not meet quality criteria.

Strategy for Change: Based on the SEAM assessment and recommendations, MSPAS authorities developed a pharmaceutical supply model focused on joint tendering for medicines, decentralized contracting for tendered medicines, and distribution of these medicines to hospitals and health facilities by a private company. The objective of the project was to implement a prime distributor system for the procurement and distribution of medicines needed by the MSPAS. The SEAM program agreed to provide technical assistance. The model for the drug procurement and distribution system was based on—

- Joint tendering for medicines from the Essential Medicines List to select products, their suppliers, and unit prices for the 30 hospitals and 362 public and NGO health units
- Decentralized procurement of drugs by the 30 hospitals and health units
- Pharmaceutical suppliers delivering medicines to a distributor under contract to the MSPAS to store and distribute the medicines to the hospitals and health facilities
- The MSPAS Quality Control Laboratory testing the quality of the lots received by the prime distributor
- The prime distributor submitting periodic reports to ensure effective monitoring and evaluation in the procurement program and distributing such reports at the national level

Results: SEAM suspended its technical assistance activities in September of 2003 when MSPAS authorities discontinued the prime distributor project due to political and administrative barriers, insufficient supply management capacity, and the appointment of a new Minister of Health. Although the objective of implementing a prime distributor system to supply medicines in decentralized MSPAS facilities was not met, the SEAM work produced two important achievements. The first was the introduction of a joint bidding program for medications, with separate procurement by hospitals. The second achievement was the strengthening of the quality control of products purchased and received by the hospitals. From late 2002 through 2005, the MSPAS held three joint tender processes. The 2003 purchases resulted in a lower number of tenders, lower unit prices for the majority of medicines, greater efficiency in spending on medications and use of the budget appropriation, and greater efficiency and effectiveness in assuring the quality of acquired products. Previously, the quality of products received was rarely verified; few hospitals sent samples for analysis, and they did not have a quality control program. The quality control of the drugs acquired by the hospitals was strengthened with drug analysis results and bid evaluation rejections, inspection of lots before leaving the factory, and sampling and analysis of received lots.

Activity Update (February 2007): The joint bidding program based on the national Essential Medicines List has continued. Joint purchasing through a prime distributor has not been implemented.

Key Lessons Learned: The three-year experience showed that it is possible to implement a joint bidding program based on the national Essential Medicines List. Through joint purchasing, the services network of the MSPAS has purchased medicine at lower unit prices and with improved quality assurance.

- The active participation of hospitals in the program's design contributed to its acceptance and to assuring transparency in the evaluation of bids.
- Joint tendering within the network of public hospitals resulted in greater efficiency in medication spending, a reduction in the number of tender processes, and improved quality assurance of medicines.
- The political commitment of the MSPAS authorities ensured the implementation of joint bidding processes, but could not overcome the political barriers to contracting a prime distributor.

- To optimize the benefits, joint purchasing must accompany an effective logistics system.
- The role of technical assistance was key to building project support among hospital authorities and other government entities; MSPAS saved \$17 on acquisition costs for every \$1 spent on technical assistance.