

USAID GLOBAL HEALTH SUPPLY CHAIN PROGRAM

PROCUREMENT AND SUPPLY MANAGEMENT

Market Analysis of Medicines and Medical Supplies in Papua New Guinea - Briefer

Introduction & Background

In 2016, Papua New Guinea's (PNG) Senior Executive Management team of the National Department of Health (NDOH) requested a review of the current market for medicines and medical supplies used in the provision of health care services for the people of PNG. The objective of the study was to identify whether the NDOH was making the most cost-effective use of its budget for medicines and medical supplies and to analyze potential opportunities to increase efficiency. The analysis also evaluated procurement timelines, product quality, and potential recommendations.

In October 2016, Elizabeth Wrench, a Chemonics consultant, travelled to Papua New Guinea to conduct the report for the USAID Global Health Supply Chain Program – Procurement and Supply Management (GHSC-PSM) auspices.

Methodology

The consultant initially analyzed data from mSupply inventory management software of past orders in order to select tracer items and to identify key suppliers to interview. Aggregate pricing information was collected to provide a suitable reference price for each tracer item. Following this, the items were disaggregated for various factors including where they were store, supplier, and freight transportation method. These items were then compared against international pricing reference points, which averaged several different international vendors. The international pricing points also included the increased costs of shipping the goods to PNG.

In addition, the analysis also evaluated the quality of the goods through QA testing provided by FHI 360. The testing measured various qualities such as expiration date, potency, pH levels, and physical characteristics. This testing was conducted to ensure quality across suppliers internal to Papua New Guinea.

Findings

- Steps for the procurement process currently in-country are:
 - Request Received from AMS or National Program → Request for Quotation issued → Quotations evaluated → Purchase Order raised → Purchase Order approved → Purchase Order issued → Goods delivered → Receiving Report submitted → Supplier submits claim → Payment processed.
 - It seems that the majority of orders are individual program or AMS requests that arrive at random and are handled one by one with the procurement team approaching suppliers. Often these requests are for a few lines and are deemed as urgent, so the procurement staff may just see who has the items in stock or how quickly they can obtain them.
- Two suppliers were responsible for more than half of the total value of all purchase orders. Many of the items procured were classified as non-stock items which had not been allocated a catalogue number. This meant there was no way to track these items further down the supply chain with mSupply. One supplier received a significant proportion of business from two Area Medical Stores (Kokopo and Wewak). These numbers move against national trends.
- In general, the average price for commodities paid by the NDOH were far above prices on the international market. The majority of local suppliers are not competitive to the international market, inclusive of shipping costs.

- Many suppliers within PNG were content with the NDOH payment terms; however, some noted that these payment terms are not always adhered to by the purchaser, and noted late or outstanding payments. They were supportive of payment after delivery, which most international suppliers do not allow.
- There is a lack of routine quality control testing by either suppliers or by the NDOH. There also lacks a sampling and QC testing plan in place. Two of the twenty-four samples tested under the scope of this analysis were found to be out of specification.
- There is a lack of records of purchase order approvals. Furthermore, in half of the available records, the date of receipt is prior to the date of purchase order approval. Timing of receipt to approval ranged from 2 to 293 days.

Recommendations & A Way Forward

- Opening procurement up to the international market would provide better pricing and coverage.
- Improved procurement planning could promote adherence to the Government’s procurement policies, guidelines, and regulations and improve relationships with the suppliers.
- A capacity assessment of MSPD may be undertaken to identify skill sets and experience within the branch.

No.	Recommendation	Responsible Entity	Priority	Timeline
1	NDOH and MSPD should consider separating the cost of goods from the cost of freight, insurance, customs clearance and transport to the final destination when suppliers are preparing quotations or bids. This should be made clear to suppliers in the request for quotation and tender documents.	MSPD NDOH	High	Immediate
2	The GoPNG health budget should separate the costs of medicines and medical supplies from the costs of freight, transport and in-country distribution.	NDOH DOF	Medium	Long Term
3	NDOH should expand their annual tenders to international suppliers and clarify the freight terms in the instructions to bidders. In this way, NDOH may determine whether to pay the supplier to arrange freight, customs clearance, and delivery to final destination, whether to source their own freight provider, or whether to engage a freight forwarder to handle the consignments on arrival into POM or LAE ports.	NDOH	High	Medium Term
4	In the medium term, NDOH may wish to consider appointing a freight forwarder through competitive tender for a fixed term contract.	NDOH	High	Medium Term
5	NDOH would benefit from an overhaul of its procurement process and systems, beginning with development of an annual procurement forecast and supply plan for all essential medicines and medical supplies.	NDOH	High	Short Term
6	Some of the processes at MSPD need to be strengthened, including but not limited to transparent approach to suppliers when running an RFQ, strict adherence to GoPNG procurement policies and thresholds, improved documentation of evaluations decisions, maintenance of complete and up to date files, streamlining of process for	MSPD NDOH	High	Medium Term

	processing of receiving reports to enable supplier payment processing and tender management.			
7	NDOH should plan to tighten the procedures around placement of a purchase order so that an order may not be placed without an approved PO stating the quantity, and the unit price for procurement, which is issued to a named supplier. POs should not be changed after issuance.	MSPD	High	Immediate
8	NDOH should plan to take steps to ensure that prices being quoted by suppliers and resulting in Purchase Orders are considered “reasonable”. This may require keeping a database of maximum prices (perhaps in the Medical and Dental Catalogue), which would require additional approvals to exceed.	NDOH MSPD	Medium	Medium Term
9	NDOH and the MSPD branch should review the items procured as non-stock items and ensure they are either aligned to an existing product from the Medical and Dental Catalogue, or provided a catalogue number so distribution and consumption may be recorded in mSupply. This will necessitate involvement of PSSB and the Pharmaceutical Advisory Committee who oversee revisions to the Catalogue.	MSPD PSSB PAC	Medium	Medium Term
10	NDOH should develop and implement a plan to undertake routine quality control testing of medicines. This should include goods procured locally, and goods from the field to see whether medicines are meeting and maintaining adherence to stated pharmaceutical specifications. It is acknowledged that implementation of this plan will have a budget implication so this may be a long-term goal.	PSSB NDOH	Low	Long Term
11	NDOH should share the results of the QC testing undertaken as part of this review with the supplier who provided the samples. In fact, this was a condition of collection of the samples.	NDOH Suppliers	High	Immediate
12	NDOH should streamline internal financial systems and ensure that capacity for upfront payment through DOF exists, as this will be required by international suppliers or procurement agents.	NDOH MOF	Medium	Medium