

# Case-study on how Armenia reformed procurement guidelines and regulatory framework

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# Armenia and Armenian Health System



- Population of 2986.1 thousand
- Armenia is split into 10 Marzes and Yerevan city
- GNI per capita of 4,020 USD

# General about health sector of the Republic of Armenia

- ▶ Armenian decentralized healthcare system in 1995, 377 self-governing medical institutions
- ▶ Total healthcare state budget – 175 mln USD
- ▶ Pharmaceutical products procurement by MoH – 5.2 mln USD (ARV 220,20 USD)



# Procurement regulations and procurement processes before reform

## Existing procurement regulation key description and inefficiencies

- Electronic system (registration, uploading package via electronic system)
- Procurement of only registered drugs
- The difficulty of procurement from single source
- Advance payment (bank guarantee, max 25%)



# Emergency of idea of pooling

Small market

Non-productive  
local tenders

Difficulties for the  
international agents  
to participate in  
local tenders

International  
effective experience

Effective work with  
international agents  
by Global Fund

# Internal pooling investigation case 1

- ✓ Procurement of consumables for medical organizations
- ✓ Combination of quantities (scale effect)
- ✓ Saving up to 25%

Done 

# Internal pooling investigation case 2

- ✓ Study of procurement of drugs for about 500 PHC needs
- ✓ Pool procurement of drugs organized by MOH
- ✓ Fixed max prices of drugs

Done 

# Building of the case within the MOH

## Steps of international pooling

- ▶ 2 stage tender
- ▶ Price requests from the international agents
- ▶ Compare prices with lots
- ▶ Local tender
- ▶ Procurement at minimum price



# The process of reforms, challenges, difficulties, negotiations and results

In 2017 Armenia have problem for procurement HIV and TB drugs by state budget resource.

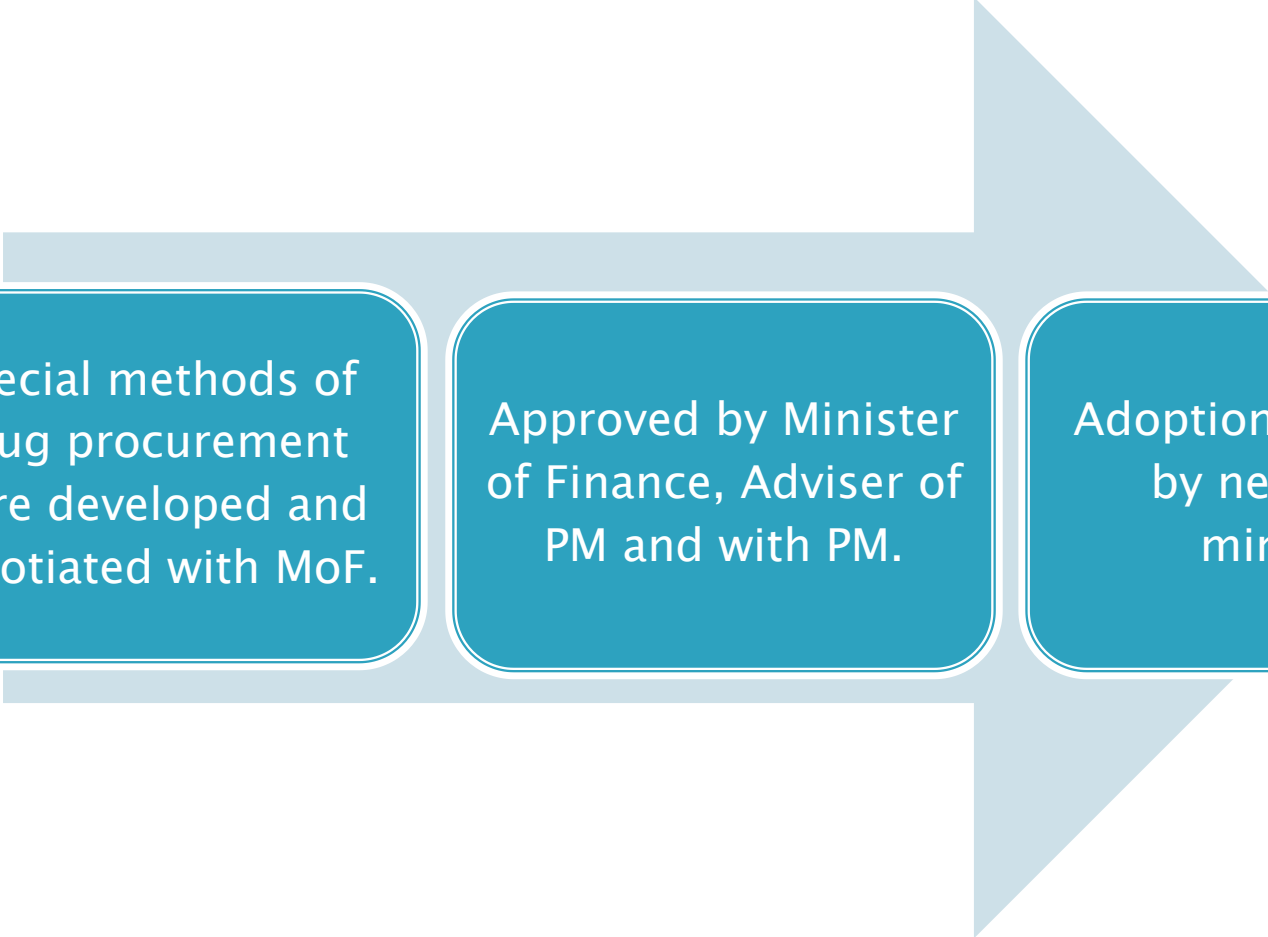
Problems related to :

–absence of qualified companies in market and low level or absence of application in tenders

– procurement of non registered drugs

– approval of singles source procurement through International procurement agents

# The process of reforms, challenges, difficulties, negotiations and results



Special methods of drug procurement were developed and negotiated with MoF.

Approved by Minister of Finance, Adviser of PM and with PM.

Adoption of reforms by new Prime minister.

# The process of reforms, challenges, difficulties, negotiations and results

Despite the positive experience of using the new procurement mechanism, the implementation of it also has some difficulties:

- ▶ Evaluation of prices by lots
- ▶ Validation period of bids of international agents
- ▶ Price offer changes by the international agents, depending on some reasons
- ▶ 100% prepayment
- ▶ Patent protection for some drugs
- ▶ Long lead time

# The advantages of choosing one international agent as a partner



- ▶ Financial efficiency for the international agent
- ▶ Relationships as a partner not as a supplier
- ▶ Consulting services from the international agent

# Role of GF and transition processes

- Support after local tenders fails
- Support for cooperation with international agents
- Support for development and introduction of a sustainable drug procurement mechanism

# Some examples from reformed procedures and statistics

- Continuity of distribution of the drugs
- We avoid tender failure
- Possibility to import non-registered drugs
- Possibility to compare prices of the international agents with the local distributor's prices
- Possibility to have one source contracts with the international procurement agents
- Possibility to procure drugs by international prices (savings up to 500%)
- Now government developing system and including other drug categories or other health products
- Other sectors also want to adopted this policy, e. g. Agriculture sphere



## LESSONS LEARNED

- Quality assurance (WHO prequalification)
- Drug registration process
- Changes in same decision. Vaccines are procured directly through UNICEF because by some evaluation its only efficient way for now.
- Expansion of the short list of the international agents
- Development of efficient competing instruments for all cases
- Synchronization of importing process for registered and non-registered drugs

Thank you